Julius Bär

GLOBAL WEALTH AND LIFESTYLE REPORT 2020

JANUARY 2020

Julius Bär

INTRODUCTION

Welcome to Julius Baer's inaugural edition of the Global Wealth and Lifestyle Report. In this wide-ranging survey, we examine prices and consumer behaviour in order to understand the world of luxury better.

'Luxury' once stood for fancy goods, such as handbags or sports cars. Now it has morphed into a broad category that includes services and experiences, from fine dining to new lifestyle trends such as wellness.

Behind these developments is an increase in the wealthy demographic, who are international in their outlook and desire a similar standard of living wherever they are.

The basis of this report is a comparison of the prices of various goods and services, from hybrid cars to laser eye surgery, broken down globally, regionally and by item-type.

The analysis draws on the Julius Baer Lifestyle Index pioneered in our Wealth Report Asia, and has now expanded to include 28 cities globally.

As we delved deeper into patterns of consumer behaviour, a key finding emerged. Baby boomers are passing on their money and the influence of a younger generation is being felt – one that cares about the planet and knows its consumer power.

We therefore highlight the theme of 'Conscious Consumption' – the growing desire among consumers to balance their buying decisions with their social, environmental and political convictions. This began with the millennials, but the baton has definitely been passed down the generations now. Even Generation Alpha is getting involved, as I know from personal experience.

Material possessions are no longer the ultimate goal. Today's consumers prefer to spend in a more measured, sustainable and responsible way. To this end, we interviewed thought leaders, from chefs to wellness experts, and their insights reveal that responsibility and profitability can work hand in hand.

I would like to thank the many people who have contributed to this report and hope that it proves informative and enjoyable reading.

Nicolas de Skowronski
Head Wealth Management Solutions
Member of the Executive Board

REGIONAL HIGHLIGHTS

ASIA

The emergence of vast numbers of newly wealthy Asians over the past decade has had a profound effect on global consumption. In particular, Chinese buyers now dominate purchases across categories, from cars to watches.

Jimmy Lee
Head Asia Pacific
Member of the Executive Board

This is leading to some obvious effects. Western companies will have to shape their strategies around China. For luxury goods houses, this may mean the introduction of dedicated fashion lines to new store openings.

Asian demand is also being felt in the West itself. For some years, the super-rich have been snapping up trophy assets, from fine art to football clubs. Now the better-off vie to put their children through prestige schools and aspire to own apartments in smart addresses.

Many of them are seeking a better quality - or alternative - life to that at home, where rapid economic growth has led to over-crowding and squeezed the supply of quality housing. In addition, they must pay hefty taxes on imported luxuries.

Our data shows Asia is the most expensive region in the world, particularly for residential property, being home to six of the ten most expensive cities; and also for luxury cars, with eight of the ten most expensive cities in our index.

On the other hand, Asia provides good value for portable items as well as services. The low cost of labour is an advantage in services, such as hospitality and wellness, attracting a global clientele.

The outlook, however, is not trouble-free. At the time of writing, the United States (US)-Chinese trade war is causing growth to slow. Sentiment has turned weak and, with the spread of populism, the sudden or increased presence of foreign money is a source of tension in some local markets.

A re-set of relations is perhaps inevitable: China cannot sustain high rates of growth indefinitely, nor the US its post-war influence. We do not fear a long trade war as it is in neither side's interest. Businesses will by nature remain pragmatic and try to avoid being caught up.

We hope our Global Wealth and Lifestyle Report provides a unique perspective of trends in international lifestyles, where best value lies and what awaits in the coming year.

THE AMERICAS

2019 was a year for pause, with the strong dollar and economic slowdown affecting Latin America, while North America saw spending remain steady.

Beatriz Sanchez
Head Americas
Member of the
Executive Board

The key trends in luxury consumption included Mexico's continued usurpation of Brazil as the key market outside the US, the growth of that area's middle class yet more hesitant expansion among foreign brands as their expectations for this segment slowed.

Overall, Latin America is still the next big market for luxury purveyors. It makes up a fraction of the global luxury market. Uneven rates of growth and its large geography may however temper prospects.

The region's well-off have always gone abroad to shop. High tariffs deter shopping at home. Within the US, Miami and New York are the always-popular destinations.

Despite that, Latin America is broadening its appeal to domestic and international travellers. There has been a rise in home-grown hospitality brands and, as elsewhere, tastes are changing with a younger generation seeking experiences rather than status.

The bulk of portable luxury is made up of branded apparel, accessories and beauty products. Leather goods are a favourite buy. In many segments - jewellery in particular - fragmented local markets are an opportunity for foreign brands to build share through strong distribution and, usually, once a name is established, online sales.

The US (and Canada) is clearly a separate market given its level of development. High labour costs make it costly to eat out and entertain, and wedding banquets are by far the most expensive there. Against this, cars are cheaper than almost anywhere else, and the property market deep and varied.

We hope you enjoy the read.

EUROPE, MIDDLE EAST & AFRICA (EMEA)

Europe is home to the majority of prestige marques and brand names, from haute couture to palace hotels. People here are familiar with what they represent – craft, tradition and the finer things in life.

Yves Robert-Charrue
Head Switzerland & Europe, Middle East, and Africa
Member of the Executive Board

Over the past two decades, many brands have been integrated into conglomerates as the business of luxury becomes more global and profit-led. Driving this change is the appetite of newly rich countries in Asia.

At the same time the perception of what is luxury is being stretched. Properties come to market as branded residences. At the other extreme, branded accessories sell an affordable dream.

For the companies involved, striking the right balance is a delicate business. New brands are now emerging, often in reaction to the ubiquity of established names. Younger consumers want authenticity as much as glamour.

Global money follows an established checklist: France for all-round good living; Milan for fashion; and Britain for schooling and prime property. Certain postcodes in London or Paris will always promise exclusivity.

Meanwhile, new approaches to health and lifestyle in the Middle East have boosted the appeal of Dubai as a luxury holiday and wellness destination. Yet Southeast Asia continues to appeal to Europeans, and Thailand's leadership in wellness will be hard to prise away.

On a price-weighted basis, Europe is the cheapest relative to Asia and the Americas. In many cases, this is down to taxes. Premium cars attract high taxes in Asia, as does property.

On the other hand, smaller ticket items such as accessories, fashion and experiences tend to be cheaper than in the Americas but more expensive than in Asia, where many branded products are actually made.

Our Global Wealth and Lifestyle Report provides a unique overview of the relative value of premium items across key international markets, as well as offering some context around lifestyle spending patterns internationally.
I hope you find it informative.

CONTENTS

EXECUTIVE SUMMARY

Julius Baer's first Global Wealth and Lifestyle Report finds that some of the most expensive cities in the world for high-end living are in Asia. But even there you will find a huge variation in prices, depending on what it is that you seek.

We surveyed 28 cities around the world: ten in Asia; twelve in Europe, Middle East and Africa (EMEA) and six in the Americas. Asia is home to the four most expensive cities (Hong Kong, Shanghai, Tokyo and Singapore) – and the least expensive, Mumbai, in 28th place.

Although New York is notably expensive for services and consumables, on a price-weighted basis it comes in 4th place, given its relatively inexpensive high-ticket items such as cars.

Meanwhile, European cities tend to offer reasonable value. Europe's best-value cities for luxury are Barcelona in 24th place and Frankfurt in 26th, whereas London (in 7th place) is the most expensive city in EMEA.

CATEGORIES

The report divides the lifestyle items into five categories:

'HOME'
residential property, cars, pianos

'EXPERIENTIAL'
business class flight tickets, hotel suites, fine dining, fine wine, whisky

'FASHION'
ladies' shoes, men's suits, jewellery, watches, ladies' handbags

'FAMILY'
boarding school, university, lawyers, wedding banquets

'WELLNESS'
beauty services, laser eye surgery, personal training

AVERAGE RANKING OF ALL CITIES

most expensive city — least expensive city

1. Hong Kong
2. Shanghai
3. Tokyo
4. New York
5. Singapore
6. Los Angeles
7. London
8. Taipei
9. Zurich
10. Monaco
11. Bangkok
12. Paris
13. Miami
14. Vienna
15. Sydney
16. Rio de Janeiro
17. Dubai
18. Mexico City
19. Milan
20. Manila
21. Vancouver
22. Jakarta
23. Moscow
24. Barcelona
25. Istanbul
26. Frankfurt
27. Johannesburg
28. Mumbai

HOME

Since the financial crisis, a combination of low interest rates and a flight to quality has caused real-estate prices to surge in the global gateway cities of London, New York and Hong Kong. In the past year or so, demand has spread to secondary locations where better value is available, such as Munich, Manila and Miami, and also new areas of major cities.

Among 'second-tier' cities, beneficiaries include Frankfurt and Paris, as the financial community hedges its bets on Brexit and the possible diminution of London's leadership within Europe. Barcelona is on the up thanks to its broad appeal as a business, leisure and student city. In the US, Miami continues to move upmarket, with long-standing popularity among Latin American buyers. In Asian capitals, tight supply and high taxes mean prices are already elevated.

The Chinese now drive global demand for luxury cars. Younger buyers and women make up a significant share. While overall growth rates have been stalling recently, the industry is placing its hopes on more customised or limited run models for the well heeled.

Meanwhile, advances in electric technology promise to revolutionise personal transport. But without more efficient batteries and a proper recharging infrastructure, electric cars will likely remain premium products. Mass manufacturers promise their high-end models will have electric-powered options in the next couple of years. European marques are also betting on hybrid or fully electric powertrains in the family cars of the future – a clear threat to pioneer Tesla.

In terms of pricing, the Americas offer the best value for luxury cars, given low tax rates, followed by EMEA. Asia lies a distant third because of its higher rates of taxation.

EXPERIENTIAL

Younger consumers are increasingly into experiential luxury, which could prove a boon for industries such as tourism, travel and dining.

Against this, a growing concern for the environment is changing assumptions about what people want. Food that is local and ethically sourced may command higher prices in the future. Long-haul flights may be less tolerated by those concerned with pollution and their own carbon footprint.

For connoisseurs of fine dining and exquisite wine, Paris remains one of the most expensive cities. But Jakarta and Hong Kong offer the best value for a bottle of *vin rouge*.

FASHION

Taxes are steep on high-end goods in the developing world. For example, in the world of jewellery, the same item in Rio de Janeiro can cost twice as much as in North America or Europe because of local tax.

For shoppers in continental Europe, Zurich and Frankfurt offer the best value for fine apparel and jewellery. Taxes are not applied to watches in Switzerland, whereas in Frankfurt, the ease with which a small wealthy population can shop elsewhere helps keep prices down.

Asia is a major buyer of watches, with China constituting about a third of the market[1].

But all is not smooth. The fashion industry is facing a rethink as fickle buyers question their needs and increasingly the waste involved of unsold clothes going to landfill.

A number of luxury brands are now experimenting with various 'upcycled ranges' – the practice of taking old or discarded clothing or other materials and using them to create new items. Meanwhile, brands are courting their most loyal customers with advanced sales and insider exclusives akin to 'membership' of a club.

FAMILY

Education has become big business, especially in the English-speaking countries. More than 100,000 mainland Chinese are currently enrolled in post-graduate programmes at United Kingdom (UK) universities[2]. Australia is a popular rival destination.

The value that Asians, most noticeably, place on schooling means that even less well-off couples will have to save to send their children abroad. Many institutions, including traditional English boarding schools, have set up campuses to meet this need within Asia, promising the best of both worlds.

For the most elite schools, competition for places is intense. But it is academic excellence that will get you in – assuming you have the money. Boarding fees at prestigious institutions such as Eton in the UK , Oxford University and Harvard Business School have all experienced significant price inflation over many years.

By contrast, the next stage of one's life might be a lot cheaper. The headline cost of wedding banquets has been rising only modestly. Anecdotally, the extravagance of the monied has inspired more couples to splash out on their big day.

WELLNESS

Today, a whole industry exists to attend to personal well-being that is focused on health, diet, exercise and spiritual improvement.

The wellness business is growing at around 6% per year[3]. A number of Asian cities have positioned themselves as upmarket destinations for wellness breaks, while mainstream leisure and tourism providers across the US and EMEA are following rapidly.

The best facilities are usually dedicated venues, often spas. Some incorporate sophisticated medical programmes; others have a specific purpose, from detox to yoga or combine disciplines for 'holistic' counselling.

Meanwhile, medical tourism is becoming a growth phenomenon. Brazil attracts business from across Latin America, while the reputation of Thailand and South Korea draws patients from across the world.

1 Statista Consumer Market Outlook – Luxury Goods Report 2019 – Luxury Watches & Jewelry
2 Record numbers from China and Hong Kong applying to study in UK, The Guardian, 7 Feb 2019
3 Global Wellness Institute, Global Wellness Economy Monitor – October 2018

BY REGION

Expensive property and cars make Asia the most expensive region.

It is home to six out of the ten of the most expensive places for residential property and eight out of ten for buying a luxury car, as a result of very high import taxes.

EMEA offers the best overall value for luxury items.

Overall cost, by region

Price weighted average | 2019
(1 being the most expensive, 3 being the cheapest)

Asia Pacific	EMEA	Americas
1	3	2

GOODS AND SERVICES

Asia is the most expensive region for discretionary goods, typically because of greater taxes on high-value products.

Meanwhile, services are the most expensive in the Americas, reflecting the high cost of labour in North America.

Cost, by goods

Price weighted average | 2019
(1 being the most expensive, 3 being the cheapest)

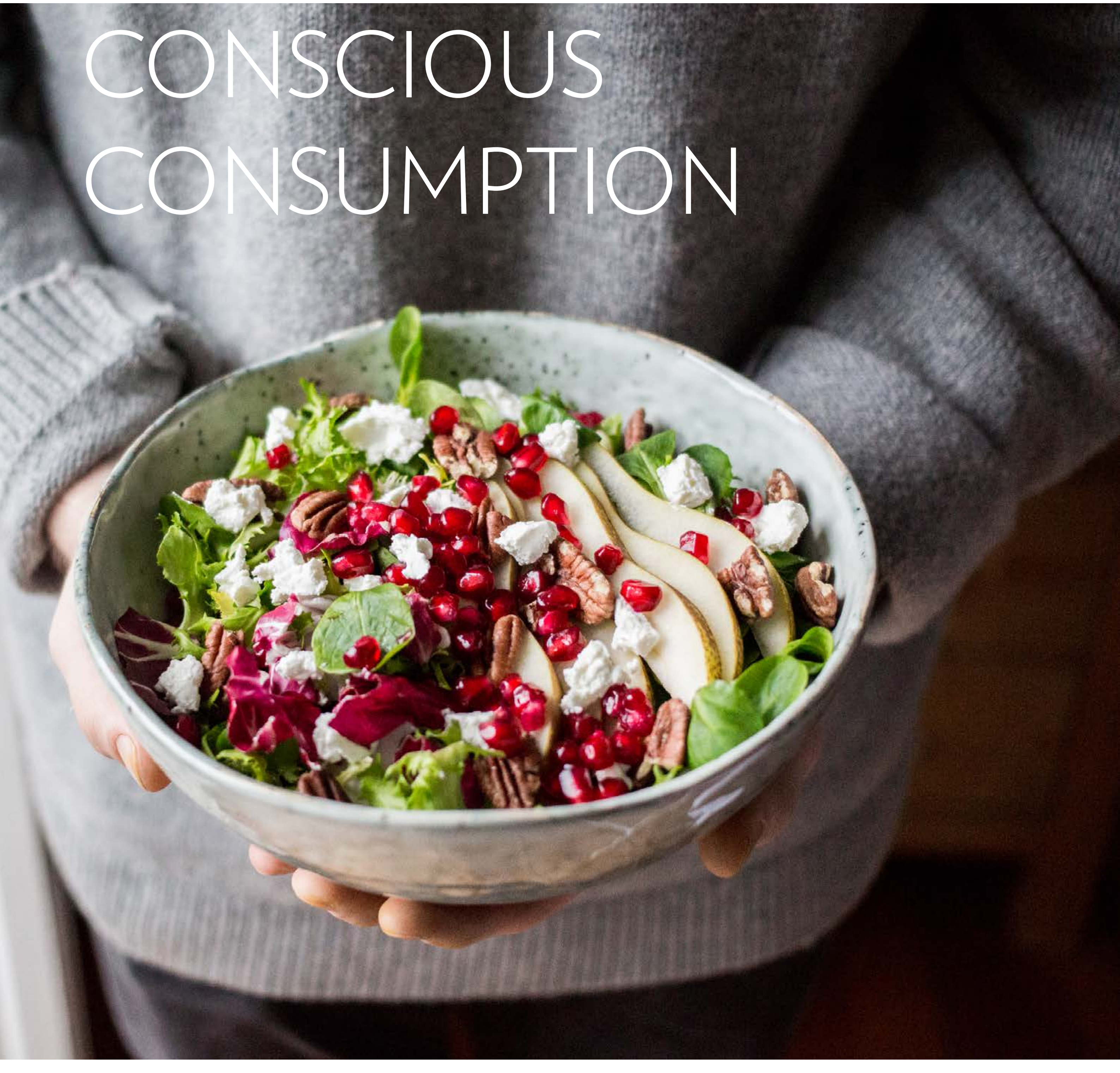
Asia Pacific	EMEA	Americas
1	3	2

Cost, by services

Price weighted average | 2019
(1 being the most expensive, 3 being the cheapest)

Asia Pacific	EMEA	Americas
2	3	1

THE MACRO CONTEXT OF CONSCIOUS CONSUMPTION



AT A TIPPING POINT

Earth Overshoot Day marks the date when humanity's demand for resources in a given year exceeds what the earth can regenerate. Of concern is that this day is occurring earlier each year. In 2019, the Earth Overshoot Day was on 29 July, two months earlier than 20 years ago. We are therefore accelerating towards a point beyond which, even if we curbed harmful activity altogether, the natural world will have lost its ability to mend itself, with potentially catastrophic consequences.

OUR CURRENT LIFESTYLES ARE HURTING THE PLANET

Science shows that global warming is a man-made problem caused by the release of polluting gases that deplete the protective ozone layer. As the average global temperature continues to rise, our weather is becoming more extreme. Hurricanes, tsunamis and typhoons occur more frequently. This raises the risk of flooding, food shortages and humanitarian crises — plus costly clean-up bills. Warming also causes the ice to melt. The fabled North West passage is now navigable as Arctic ice floes no longer freeze, and in August 2019, Iceland lost its first glacier to global warming.

A WAKE-UP CALL

Whether it is marches in European cities calling for action on the climate or popular initiatives to clean up the oceans, one thing is clear: protests have gone mainstream and are complicating how politics is done. In large countries such as the US or the European Union (EU) bloc, powerful lobbyists have traditionally operated through regulatory capture — that is, by using superior industry knowledge to gain a legislative advantage. But voters today have little trust in their leaders. They are pressing for urgent action on climate change and for countries to work together for the common good, since problems defy national boundaries.

COMPANIES IN THE SPOTLIGHT

In 1962, economist Milton Friedman posed the question, "What is the purpose of a company?" His conclusion was that a company had no social responsibility to society but only to its shareholders. How times change.

After the financial crisis of 2008, the belief that free markets could solve all problems disintegrated, as resentment swelled against the corporate and political elite. Many companies took a hit and started changing their perspective of their role in society. Recently, more than 180 American chief executives issued a collective statement that abandoned their long adherence to shareholder primacy. Instead, the group pledged "a fundamental commitment to all stakeholders".

Meanwhile, employees are becoming active in influencing their companies, thus contributing to the success and sustainability of these organisations.

A SUSTAINABLE FUTURE

With the corporate world changing and society pushing for a more sustainable future, governments, regulators and central banks are starting to address the topic of sustainability.

A big part of the movement for change began in Paris on 12 December 2015. Participants at the United Nation's Framework Convention on Climate Change reached a landmark agreement to fight climate change and to intensify actions for a sustainable low-carbon future. For the first time in history, the Paris Agreement brought all nations together to pursue ambitious efforts to combat climate change, with enhanced support for developing countries.

Elsewhere, new regulatory requirements, such as the European Union's Action Plan on Sustainable Finance, and new guidelines such as the Principles for Responsible Banking (PRB), are shaking up the financial world.

RESPONSIBLE INVESTING

Responsible investing argues that companies should not just focus on the bottom line but instead uphold best practices across a host of environmental, social and governmental factors.

CONSCIOUS CONSUMPTION

According to the UN, economic and social progress over the last century has wreaked enormous environmental damage. If our production and consumption patterns remain unchanged, this damage will become irreversible.

As their awareness builds, it is inevitable that consumers will not just consider, but also demand, more sustainable choices. Businesses would be wise to anticipate their needs.

THE CONSCIOUS CONSUMER

How do you want to live your life? It may sound a little 'New Age' to ask, but individuals around the world are recognising that the planet cannot support continued rates of consumption.

Something will have to give if we do nothing. Rising temperatures, loss of habitat and species, polluted oceans, dirty drinking water... the list goes on. There is an interconnectedness between what we buy and the damage society as a whole may sustain.

This awareness is making consumers more mindful of how companies behave. Younger adults are quick to suspect dishonesty in corporate leaders and want more transparency on the origin of goods.

They are also aware of the power of collective action. Social media is a valuable tool that enables consumers to 'call out' companies with ethical standards that fall short of promises or expectations.

Conscious spending is about consumer choices made with clarity. It stresses the avoidance of needless waste or goods that provide no utility, as much as respecting the need for purchases that offer genuine value.

Although this is an awakening born in the West, the conscious consumer is not confined there. It is just that the West has had a head start in industrialising and has had more time to legislate business and educate its consumers.

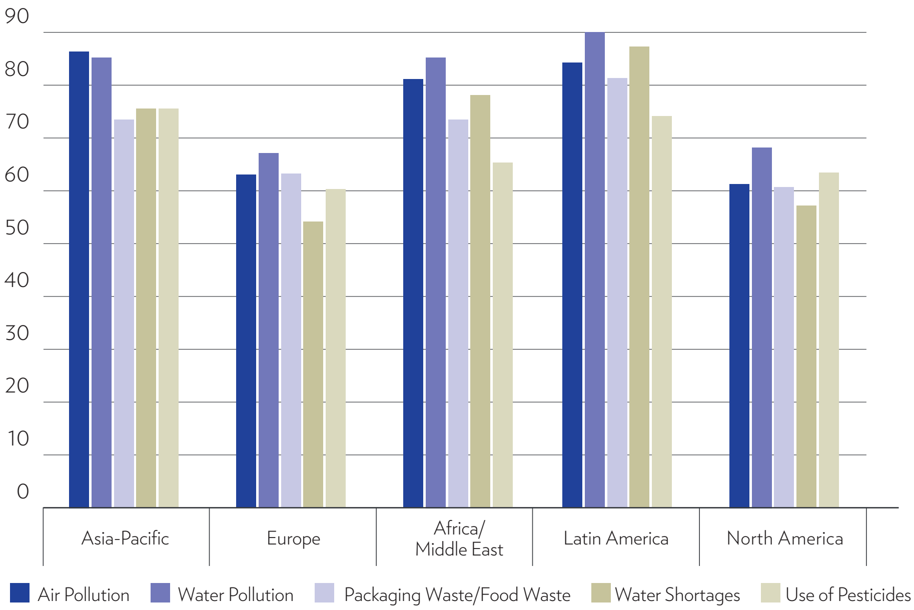
Conscious consumption stands in proximity to conspicuous consumption. It does not say that the latter is bad or irresponsible – capitalism itself is not a foe – but it does ask that we try harder.

With luxury goods, the craft origins, high-quality materials and small production runs that characterise the industry, assist audit trails. We can see who and how things are put together and the possible side effects during the manufacturing or distribution process.

The more proactive companies realise they have to become more accountable and are keen to address any shortcomings before they are pointed out.

Consumers around the world care about environmental issues

% of respondents who are extremely concerned about the following issues



Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017

GENERATIONAL TRENDS

In rich world countries such as the UK, it is millennials who are banner wavers for ethical causes. Yet, strange though it may sound, they do not always practise what they might preach.

Take fast fashion, for which they are a target group. This wear-it-once culture fostered by high-street brands and just-in-time manufacturing enables new lines to appear in shops every few weeks. Yet it leads to untold waste in production and disposal of unsold stock.

Yet Gen Z teenagers (those born from the mid-1990s onwards) also exhibit spending discretion. In the high-end market, the launch of Stella McCartney's first-ever leather-free version of Adidas's Stan Smith sneakers saw such overwhelming demand that sales had to be put on pre-order[4]. The shoes retail for around USD 300 on Stella McCartney's website and outlets.

But how far will consumers go for the right credentials? Tokyo-based writer Fumio Sasaki, disposed of all his possessions except for a roll-up mattress, three shirts, four socks and very little else. His motivation was simple: it made him happy. "I think saying goodbye to your things is more than an exercise in tidying up," wrote Sasaki. "I think it's an exercise in learning about true happiness."

That is a similar gospel propounded by Marie Kondo, also from Japan. The soft-spoken populariser of decluttering aims to persuade consumers to discard 'everything that does not spark joy'. Her books sell in the millions.

Younger consumers value experiences as much as things. They seek whatever that can enhance their own health, skills and happiness. A study of six thousand millennials across ten countries by ZenithOptimedia found that they wanted to become a 'problem-solver' or 'decision-maker'[5]. They had less time for conventional priorities such as getting married, having children or buying a house. This fits: we know that the wealthier countries are and the higher women's participation in the workforce is, the later people tend to settle down.

There are also cultural biases. A fifth of Chinese millennials, versus an average of 9%[6], consider being 'well travelled' as a major feature of adulthood.

The conclusion seems to be, then, that younger consumers are less materialistic than past generations. They are open to car-share clubs, second-hand fashions and co-working spaces.

What about wellness? For younger adults, this will largely remain an aspirational purchase, because of cost. For those in their 40s, 50s or older, the luxury end of the market is growing rapidly and global in scope.

At 6% per year growth, wellness is expanding twice as fast as average global GDP, according to the Global Wellness Institute. Yet no region dominates this nascent industry, which is already worth an eye-watering USD 4.2 trillion.

So far Southeast Asia has been able to leverage its advantages in hospitality and climate (which attracts Westerners in the winter months). The Gulf states are trying to catch up.

There is also huge scope for the wellness trend to reach new destinations that offer a taste of the exotic – Morocco comes to mind. But serious contenders will have to trade on more than indigenous culture, tranquillity and mud scrubs. Old-fashioned hotels offer that already.

> "I think saying goodbye to your things is more than an exercise in tidying up. I think it's an exercise in learning about true happiness."
>
> Fumio Sasaki, author

4 Livekindly, 17 September 2018

5, 6 ZenithOptimedia, The Pursuit of Happiness: Creating Meaningful Brand Experiences for Millennials 2015

FOOD

Some countries have a food culture; others do not. In Europe, the reputation of France or Italy rests on the bounty of the soil and an insistence on quality. In Asia, a love of food seems ingrained. 'Have you eaten yet?' is a salutation as common as 'How are you?' in the West.

It is partly in the industrial countries of the West, such as the US and the UK, where eating habits are in the hands of supermarkets and big business, that people have been the most vocal to question what they eat. The young are leading a revolt against factory farming, pesticides and food adulteration.

Millennials eschewing meat and all animal by-products are also growing in number, bringing this movement into the mainstream. The Economist declared 2019 as the year of the vegan. Even those who are not full vegans are using animal products more sparingly. In 2019, Britain's Queen Elizabeth II became the first monarch to stop using real fur. From now on, she may re-wear existing fur outfits, but any new ones will use synthetic fur[7].

WASTE NOT...

This report has touched on waste in garment manufacturing and unsound environmental practices. From over-intensive land use to water mismanagement, there is much going on that is legal but not sustainable.

By common consent, one of the most pressing problems, and a scourge of food chains on land and in the sea, is package waste.

No adult in the West can escape the popular calls to cut down on plastics and switch to recycled or biodegradable bags. More than half of UK consumers say they are willing to pay more for products with less plastic packaging, and eight in ten are trying to reduce their plastic waste[8].

In 2019, Greta Thunberg, a Swedish schoolgirl and climate activist, gained worldwide media coverage as she urged world leaders to do more to protect the environment. Unlike the activists who used to jet across the world to spread their message, the teenager braved the North Atlantic on a carbon-neutral yacht to address a UN summit in New York.

Thunberg won plaudits for putting words into action. Her steely resolve certainly struck a better chord with the general public than pressure groups who use disruption to get their message across.

A new kind of goading is 'flight shaming', whereby public figures who fly a lot are held to account. Egalitarian Sweden, where this started, is quick to sniff out double standards, but whether other countries can do so as well remains to be seen. Growth in air travel has grown by 61% since 2010[9]. According to The Guardian, flying is one of the chief contributors to carbon emissions[10]. Airlines routinely fly with excess fuel to avoid costlier refuels in turnaround destinations. The needless extra weight increases pollution.

7 Buckingham Palace
8 'Most Brits Support Ban on Plastic Packaging' YouGov, April 2019
9 World Bank
10 'How your flight emits as much CO_2 as many people do in a year', The Guardian, 19 July 2019

PUBLIC PRESSURE

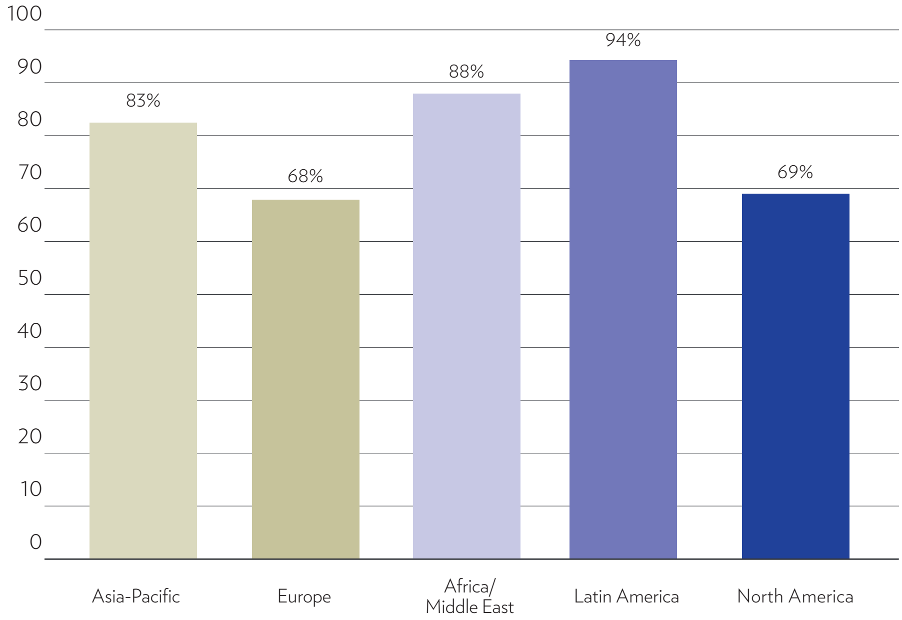
Where does change start? We can all set an example but an overwhelming majority of citizens globally (81%) feel strongly that companies should do more to safeguard the environment[11].

This is particularly the case in emerging economies. According to a study by Nielsen, 94% of South Americans say it is important that companies implement policies to improve the environment, compared to 69% of North Americans[12].

How Latin America achieves these higher figures may partly be due to man-made disasters. In Brazil, the burning of the rainforest, the recent collapse of a mining dam and an unfinished investigation involving political bribes by the state energy company all contribute to a picture of lax control. Neighbouring countries do not score better.

Consumers expect companies to care about the environment

% of respondents who say it is extremely likely or very important that companies implement programmes to improve the environment



Source: The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017

Companies insist they are responding to popular outcry. Of 297 global companies surveyed by Bain & Company, 81% said sustainability is more important to their business at present compared to five years ago, and 85% believe that it will be even more important in five years' time[13].

Statements of the obvious, maybe. But investors and capital markets are asking more of boardrooms. Around USD 70 trillion of financial assets is managed by financial institutions that are also signatories of the UN's Principles of Responsible Investment. Trustees for public pensions demand more transparency still.

Even so, few companies have specific, measurable commitments such as Unilever's undertaking to halve the use of virgin plastic by 2025. Then again, as a global consumer goods company, it is right in the public's crosshairs.

In 2014, billionaire entrepreneur Richard Branson mentioned on Virgin Group's website that brands that will thrive in the coming years are the ones that have purpose beyond profit. It is a lofty idea, but one that appears prescient.

In January 2019, the august figure of Sir David Attenborough appeared at the VIPs' summit in Davos to warn of the coming collision between business and the environment.

Eight months later at the Business Roundtable in the US, a group that represents nearly 200 CEOs, conceded that maximising shareholder value was not their sole concern. They also vowed to invest in their employees, protect the environment and deal fairly and ethically with their suppliers.

This is a landmark change and shows that a movement driven from the bottom up has reached the very top.

11, 12 The Conference Board® Global Consumer Confidence Survey, conducted in collaboration with Nielsen Q2 2017

13 Transforming Business for a Sustainable Economy, Bain & Company, August 2018

REGIONAL CONSUMER BEHAVIOUR

Sustainably produced goods have long been thought to command a higher premium (because they aren't made at scale.). Yet counter-intuitively, according to Nielsen's Q2 2017 Global Survey of Consumer Shopping Behaviour, people from less developed countries are more likely to pay more for responsibly-sourced products than people from richer nations. We find out more here:

Asia

Indonesians, Indians, Malaysians, Thais and Filipinos are most inclined to choose a product based on whether it is fair-trade labelled or environmentally friendly. Conversely, consumers from New Zealand and Australia are the least likely to do the same.

Part of the reason for this discrepancy could be that many people in emerging markets are experiencing the negative effects of rapid economic growth first hand, including urbanisation, pollution and rising inequality. This leads them to question the impact of production and consumption on society.

But another reason is that trust in local brands is not very high, especially in foods. Contamination scares are a news staple in these countries. Responsible companies therefore offer the simple promise of quality and consistency.

Europe

European respondents are generally the least likely to pay a premium for responsibly produced goods. Because strict environmental regulations are already in place for ordinary goods, those labelled as 'responsibly sourced' do not attract much attention. They have to be price competitive to sell.

Another reason behind the reluctance to pay more for such products could be scepticism towards businesses. Buyers may regard themselves as sophisticated and above persuasion. Advertising can make them question a company's motives.

That does not necessarily mean that European consumers are completely dismissive. On the contrary, it is an ingrained practice among Europeans to bring their own bags for groceries. Recycling of products is seen as de rigueur, particularly in Germany, Austria, Wales and Switzerland, which have some of the highest recycling rates globally[14].

Americas

As in Europe, North American consumers are less willing to pay a premium for more ethically sourced products.

However, the majority of Latin Americans mentioned that they would check if the manufacturer of a product was focused on sustainability measures.

14 "Germany recycles more than any other country", World Economic Forum, 18 December 2017

THE REPORT

Demand for high-end goods and services may seem a good proxy for consumer sentiment, and hence the global economy. When times are good, people spend more (and prices rise). In recessions they cut back.

But cycles are unpredictable, tastes change and there is always the impulse purchase. That is why brands must constantly invest in their image. Perhaps the most we can infer from demand for premium goods and services about the global economy is that the outlook appears patchy.

TRADE WARS AND TAX CUTS

In the West, politics has grown fractious. Popular movements have emerged to challenge vested interests. Donald Trump promised voters to 'Make America Great Again'.

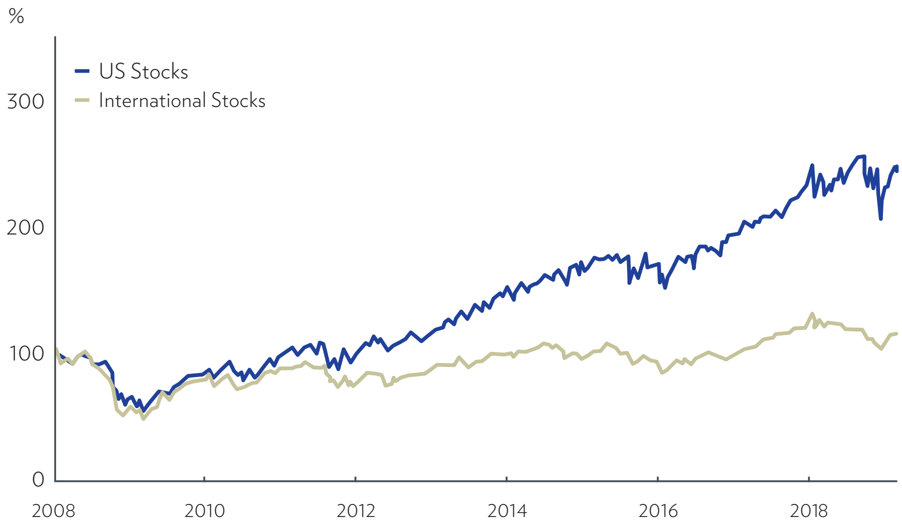
By launching a trade war with China, the US president has upped the ante. There could be geopolitical repercussions – Asian countries, for example, are under pressure to decide whose side they are on.

In the short term, US policy action has stimulated the domestic economy. Sectors such as IT and services are booming. US consumer spending remains strong, supported by low levels of unemployment and growth in disposable income, running at 4–5%[15].

But all this could change. The stock market is often (but not always) a leading indicator.

While the S&P 500 has hit new highs, the market has appeared increasingly concentrated. More price volatility could suggest a less rosy outlook not just for stocks, but for the economy too.

Total returns of US stocks versus international stocks (2008 - 2018)



Source: MSCI, Bloomberg Finance L.P.

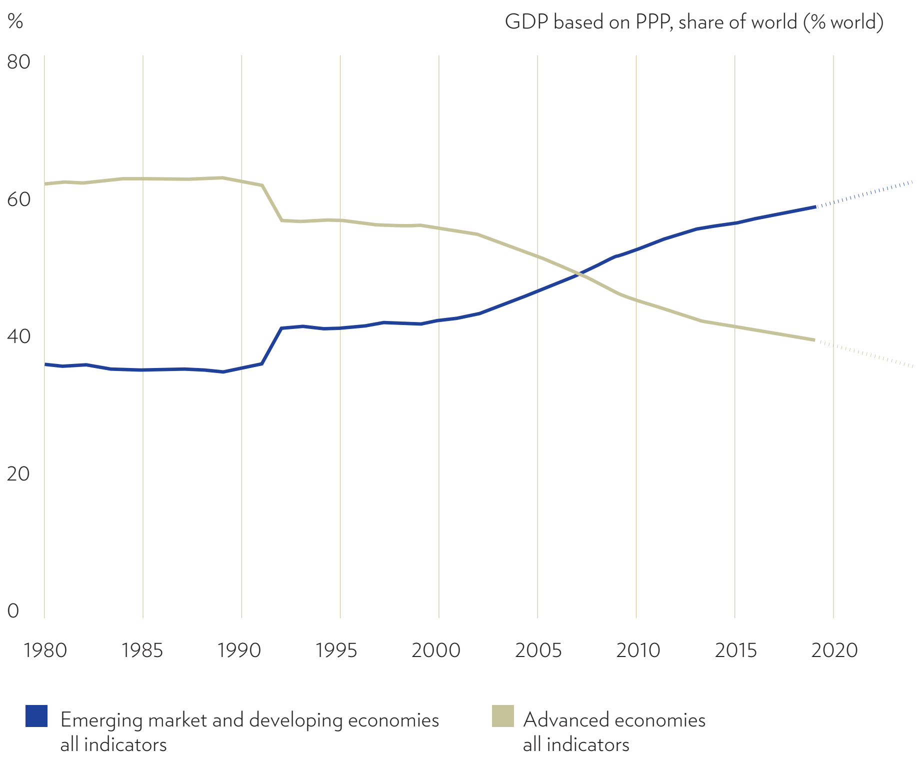
Once trade sanctions start to bite, the economy will feel the effects. A slowdown in business investment appears to be accelerating, as manufacturers fret over the trade war, the strong dollar and weak growth outside the US. Corporate earnings will be under more scrutiny than usual.

So far, tariffs on Chinese goods are said to have clipped 0.5% from US GDP[16] growth. On the Chinese side, exports to the US, which account for 3.5% of GDP, experienced double-digit declines during the second half of 2019, according to official government data[17].

Growth on the mainland is now at a 26-year low for many reasons including structural overcapacity and debt. Supply chains across Asia are feeling the chill.

Even in relatively insulated India, which has a big domestic market, weakness is evident. The persistent strength of the US dollar is making imports more expensive. A poorer trade balance adds to pressures.

Emerging markets account for a growing proportion of the world economy



Source: International Monetary Fund, World Economic Outlook (October 2019)

As for Europe, some countries on its periphery are beginning to recover after several years of austerity – Portugal, Ireland and Greece, for example. But Germany, Europe's biggest economy, is in trouble, and continental Europe is struggling.

Stalled income growth and productivity, along with rising welfare spending, leave national governments in France and Italy with little room to spend. The UK's painful divorce from Europe has further distracted EU policymakers and undermined confidence.

16 Bloomberg Economics
17 Julius Baer

INFLATION

Inflation is arguably yesterday's problem. The unexpected series of interest rate cuts by the US Federal Reserve (Fed) in 2019 underscored how price growth predictions have been wrong for several years. That has been good news for government bonds, just when their rally seemed to be over.

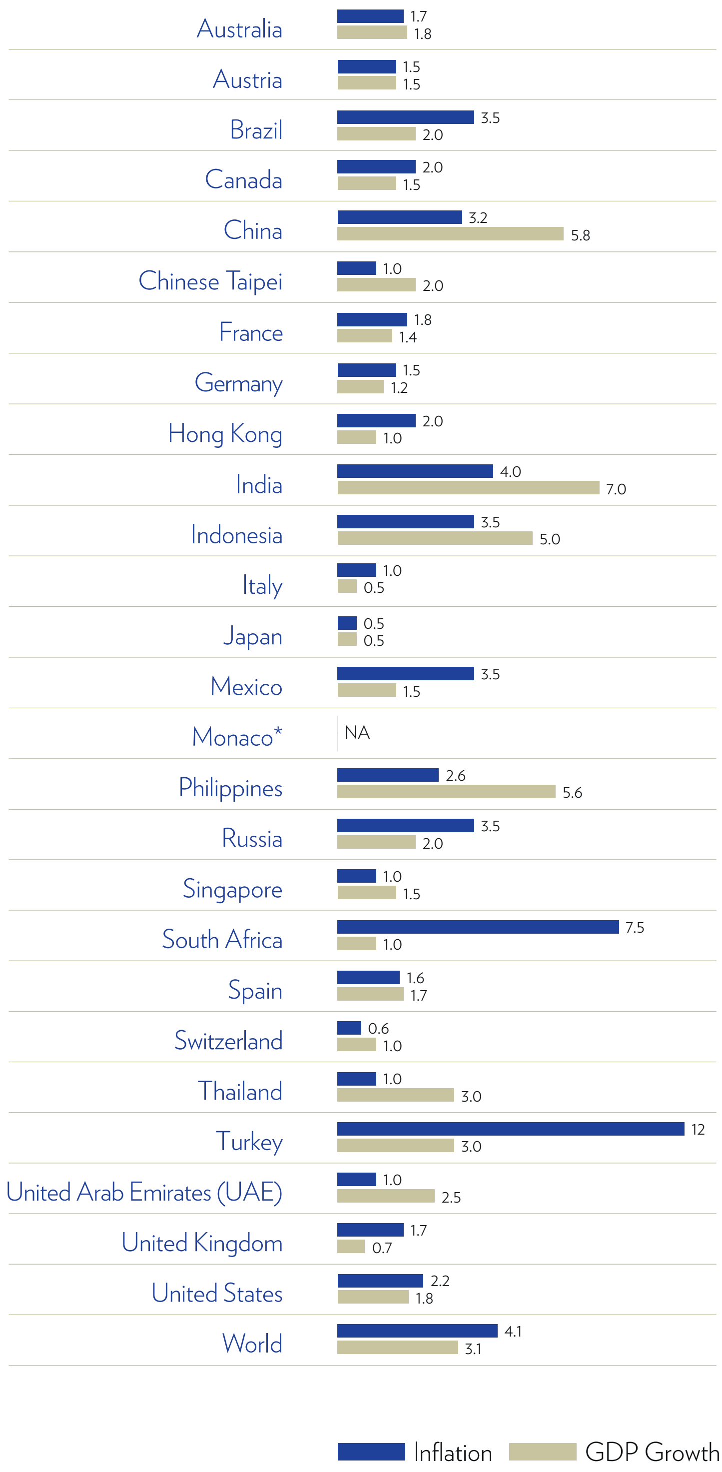
Low levels of US unemployment have failed to translate into higher wages, partly due to baby-boomer retirement, but also to the sustained deflationary effects of a globalised economy. The yield curve suggests that the Fed will miss its 2% inflation target over the next ten years.

After the Fed's lead, other central banks could follow and cut rates further in 2020. All eyes are on China, but it is trying to rein in bad lending. Europe has seen interest rates break below zero, giving it little additional scope for monetary stimulus.

However, the cheaper cost of borrowing has put the focus back on a fiscal boost. Continental Europe has more scope for public spending than the US. Yet Germany is reluctant to act. It fears it may one day have to stand behind other EU nations' debts.

INFLATION AND GDP GROWTH

Estimate 2020 (%)



Source: Julius Baer

*No estimates were provided for Monaco

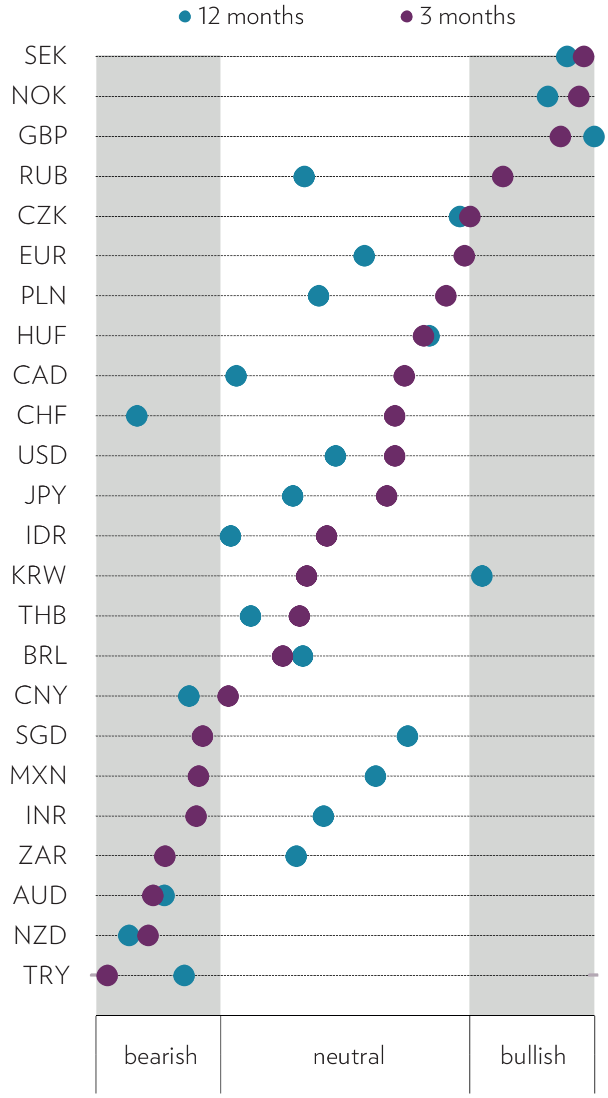
CURRENCIES AND COMMODITIES

In 2020, the US dollar's strength could wane, although that prediction has been made for a while. The dollar has to move against something else – the Chinese yuan is not an obvious candidate given policy loosening and excess market liquidity.

A partly closed economy allows Chinese authorities some control over currency movements. Yet the economy would seem to offer little support to the yuan, despite it trading at a five-year low. Other currencies within its orbit have felt its drag, notably the Australian and Singapore dollars. Safe-haven beneficiaries include the Swiss franc and the yen.

Lacklustre global economic growth has weighed heavily on commodities, which have been reeling from weaker Chinese demand for a while. Nevertheless, given the supply risks in Iraq and bullish sentiment towards the oil market, we maintain a Neutral view on oil.

Julius Baer currency strategy



3-month and 12-month ranking relative to 24 currencies covered by JB economic research. Based on expected return over forward.

Source: Bloomberg Finance L.P., Julius Baer

LUXURY MARKETS

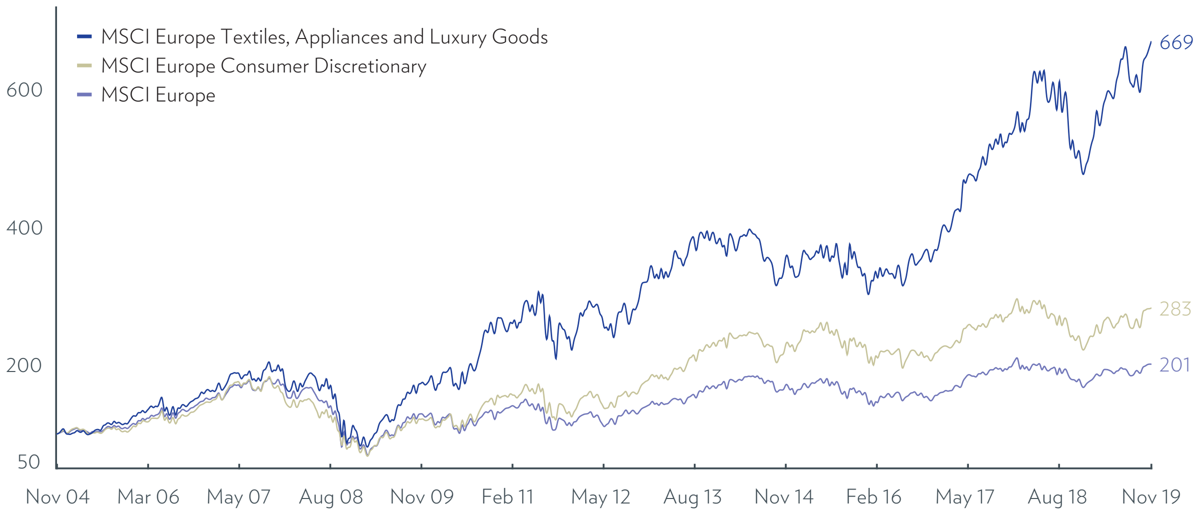
The handful of listed high-end goods makers in the West have performed well in aggregate. In the ten years since the crisis, they have pulled away strongly from mainstream indices.

Luxury goods depend on China. For makers of high-end fashion and apparel, this market is still an opportunity. However, not all of them have been successful. Some companies expanded too fast; others are having to learn from cultural missteps. The winners will be the ones that find a new, younger generation of buyers. Digital engagement will matter.

For makers of consumer durables, the picture is more mixed. The car industry has its back to the wall. A drop in Chinese demand is hurting profits. Admittedly, this reflects cut-throat competition. Building a brand in such a huge new market is costly and takes time.

The lesson all companies must accept is that, while demand for luxury goods is relatively insensitive to price, consumers are not completely unaware. They will willingly buy into the fantasy of advertising and promotion, but only so far. If they can find goods on the internet that are cheaper, they may buy them there. Alternatively, if real exclusivity means having to buy goods in selected stores in person, they may organise shopping trips as appropriate — even to France or Italy.

Cumulative index performance – net returns (USD) (Nov 2004 – Nov 2019)



Source: MSCI, Bloomberg Finance L.P.

Global: Relative ranking of luxury goods by cost per city (out of 28) in US dollars

(1 = most expensive and 28 = least expensive)

	Hong Kong	Singapore	Shanghai	Mumbai	Taipei	Jakarta	Manila	Bangkok	Tokyo	Zurich	London	Paris
Residential property	2	6	7	20	9	24	26	17	4	13	3	11
Watch	20	21	3	27	8	11	12	2	25	23	24	16
Ladies' handbag	15	11	9	16	19	7	2	8	5	21	22	23
Jewellery	28	22	17	25	26	5	2	16	12	24	15	13
Car	3	1	2	8	5	10	7	9	11	12	24	18
Whisky	22	11	4	23	12	2	8	16	3	17	25	7
Fine wine	27	22	26	12	11	28	4	6	20	24	18	8
Ladies' shoes	10	9	18	16	12	17	15	1	2	19	21	22
Men's suit	8	6	10	28	14	2	3	1	9	17	18	23
Piano	6	8	5	7	1	14	3	4	10	13	17	20
Business class flight	3	5	12	11	13	17	21	16	4	14	6	19
Hotel suite	4	24	21	22	10	12	23	28	1	6	14	20
Fine dining	2	3	5	23	10	22	26	6	13	7	4	1
Wedding banquet	3	15	7	28	24	23	22	26	5	10	12	9
Beauty services	3	11	10	26	12	20	25	19	7	4	9	2
Lasik	12	10	8	27	22	21	20	4	17	7	1	15
Lawyer	1	7	2	27	23	24	28	9	13	11	4	16
Personal trainer	6	8	5	28	20	23	24	21	15	4	10	16

Source: Julius Baer

Milan	Barcelona	Moscow	Frankfurt	Vienna	Monaco	Dubai	Istanbul	Johannesburg	New York	Vancouver	Rio de Janeiro	Los Angeles	Miami	Mexico City	Sydney
18	22	15	16	14	1	23	21	28	5	12	25	10	19	27	8
14	15	19	4	16	16	9	13	26	6	22	1	5	10	7	28
23	23	17	23	23	23	4	20	6	13	10	1	12	14	3	18
7	9	3	18	18	13	23	6	10	11	20	1	8	21	4	27
14	16	21	20	17	18	13	4	15	25	28	6	25	25	22	23
5	18	21	14	6	26	10	28	9	24	27	1	19	20	15	13
8	8	3	25	5	19	7	13	17	23	14	1	21	16	2	15
22	22	11	22	22	22	14	6	28	5	8	20	4	7	3	13
23	23	20	23	23	22	11	21	7	13	19	4	12	15	16	5
16	23	28	22	19	20	11	18	15	24	24	2	24	24	12	9
25	24	27	20	18	22	26	28	23	9	8	10	15	2	7	1
19	9	18	26	15	11	8	13	5	2	16	25	3	7	17	27
12	14	21	17	18	9	15	25	27	11	28	24	8	19	20	16
17	13	11	19	8	16	27	21	20	1	14	25	4	2	6	18
1	14	27	15	15	6	8	28	18	5	22	13	21	17	24	23
18	24	28	15	6	14	9	25	26	2	13	23	11	5	19	3
26	18	12	17	20	19	8	10	15	3	14	22	6	5	25	21
13	18	25	17	14	7	9	26	22	1	19	27	3	2	12	11

Source: Julius Baer

ASIA'S CITIES

In 2019, Asia was home to both the world's most expensive city in the Julius Baer Lifestyle Index, Hong Kong, and its least expensive, Mumbai.

Nevertheless, value can be found even in the most expensive places. In Hong Kong, property and cars (which face high tariffs) may be fully priced, and services and consumables may also be expensive, but luxury goods are not specifically taxed.

Property and hotels aside, Shanghai is more expensive than Hong Kong, particularly for services. Meanwhile, Tokyo, the third most expensive city, offers good value for watches and fine wine.

Mumbai is very much the region's outlier. For the international traveller, Mumbai's value is understated, given that more expensive items there would only be purchased by locals, i.e. cars, flights and pianos.

Asia: Relative ranking of luxury goods by cost per city (out of 10) in US dollars

(1 = most expensive and 10 = least expensive)

	Hong Kong	Singapore	Shanghai	Mumbai	Taipei	Jakarta	Manila	Bangkok	Tokyo	Sydney
Residential property	1	3	4	8	6	9	10	7	2	5
Watch	6	7	2	9	3	4	5	1	8	10
Ladies' handbag	7	6	5	8	10	3	1	4	2	9
Jewellery	10	6	5	7	8	2	1	4	3	9
Car	3	1	2	6	4	8	5	7	9	10
Whisky	9	5	3	10	6	1	4	8	2	7
Fine wine	9	7	8	4	3	10	1	2	6	5
Ladies' shoes	4	3	10	8	5	9	7	1	2	6
Men's suit	6	5	8	10	9	2	3	1	7	4
Piano	5	7	4	6	1	10	2	3	9	8
Business class flight	2	4	6	5	7	9	10	8	3	1
Hotel suite	2	8	5	6	3	4	7	10	1	9
Fine dining	1	2	3	9	5	8	10	4	6	7
Wedding banquet	1	4	3	10	8	7	6	9	2	5
Beauty services	1	4	3	10	5	7	9	6	2	8
Lasik	5	4	3	10	9	8	7	2	6	1
Lawyer	1	3	2	9	7	8	10	4	5	6
Personal trainer	2	3	1	10	6	8	9	7	5	4

Source: Julius Baer

AMERICA'S CITIES

In aggregate, the Americas look relatively cheap compared to Asia. High property values in North America are offset by lower values in South America.

Residential property prices in Rio de Janeiro and Mexico City are 7% and 5% respectively of the most expensive city in our index. Luxury cars are relatively inexpensive in both places.

But a large number of items, such as hotel suites and wedding banquets, are most expensive in North America. Local taxes and service charges bump up the high starting prices for banquets, led by New York (1), Miami (2), Los Angeles (4) and Mexico City (6).

In South America, apart from residential property, Rio de Janeiro and Mexico City look relatively expensive. In fact, the best-value city in the Americas is thousands of kilometres north: Vancouver.

Americas: Relative ranking of luxury goods by cost per city (out of 6) in US dollars

(1 = most expensive and 6 = least expensive)

	New York	Vancouver	Rio de Janeiro	Los Angeles	Miami	Mexico City
Residential property	1	3	5	2	4	6
Watch	3	6	1	2	5	4
Ladies' handbag	5	3	1	4	6	2
Jewellery	4	5	1	3	6	2
Car	3	6	1	3	3	2
Whisky	5	6	1	3	4	2
Fine wine	6	3	1	5	4	2
Ladies' shoes	3	5	6	2	4	1
Men's suit	3	6	1	2	4	5
Piano	3	3	1	3	3	2
Business class flight	4	3	5	6	1	2
Hotel suite	1	4	6	2	3	5
Fine dining	2	6	5	1	3	4
Wedding banquet	1	5	6	3	2	4
Beauty services	1	5	2	4	3	6
Lasik	1	4	6	3	2	5
Lawyer	1	4	5	3	2	6
Personal trainer	1	5	6	3	2	4

Source: Julius Baer

CITIES OF EUROPE, MIDDLE EAST AND AFRICA (EMEA)

EMEA cities are generally neither cheap nor expensive. The euro and the European Union's open borders tend to equalise prices.

The outlier, both geographically as well as in price terms, is Johannesburg, as the second least expensive city in our index globally.

As the third least expensive city globally, Frankfurt is an anomaly. It is in 26^{th} place, way behind Europe's cities of London (7), Zurich (9), Monaco (10), Paris (12) and Vienna (14). The city offers good value in hotel suites, men's suits, ladies' handbags, as well as cars. Residential property is also cheaper.

London's expensive property pushes it to the top of the EMEA list, even though prices have been coming down of late, while Zurich is a close second, driven by high service charges, hotels and dining.

Meanwhile, Monaco has the most expensive residential property in the index due to land scarcity and a lack of new construction.

EMEA: Relative ranking of luxury goods by cost per city (out of 12) in US dollars

(1 = most expensive and 12 = least expensive)

	Zurich	London	Paris	Milan	Barcelona	Moscow	Frankfurt	Vienna	Monaco	Dubai	Istanbul	Johannesburg
Residential property	4	2	3	8	10	6	7	5	1	11	9	12
Watch	10	11	6	4	5	9	1	6	6	2	3	12
Ladies' handbag	5	6	7	7	7	3	7	7	7	1	4	2
Jewellery	12	8	6	3	4	1	9	9	6	11	2	5
Car	2	12	8	4	6	11	10	7	8	3	1	5
Whisky	7	10	3	1	8	9	6	2	11	5	12	4
Fine wine	11	9	4	4	4	1	12	2	10	3	7	8
Ladies' shoes	4	5	6	6	6	2	6	6	6	3	1	12
Men's suit	3	4	8	8	8	5	8	8	7	2	6	1
Piano	2	5	8	4	11	12	10	7	8	1	6	3
Business class flight	2	1	4	9	8	11	5	3	6	10	12	7
Hotel suite	2	7	11	10	4	9	12	8	5	3	6	1
Fine dining	3	2	1	5	6	10	8	9	4	7	11	12
Wedding banquet	3	5	2	8	6	4	9	1	7	12	11	10
Beauty services	3	6	2	1	7	11	8	8	4	5	12	10
Lasik	3	1	6	8	9	12	6	2	5	4	10	11
Lawyer	4	1	7	12	9	5	8	11	10	2	3	6
Personal trainer	1	4	7	5	9	11	8	6	2	3	12	10

Source: Julius Baer

LUXURY SHOPPING AROUND THE WORLD

If three people - from Zurich, Singapore and New York - wanted to purchase eight portable items in our basket at the best prices, which cities should they visit and how much would it cost them to do so?

Terms and conditions

- The journey must be a round-trip
- It must follow one global direction (East or West)
- It must include at least two stops
- It must cross the Atlantic and Pacific once
- It must take at least ten days

The cheapest cities for all three travellers are

Sydney, Vancouver and Frankfurt.

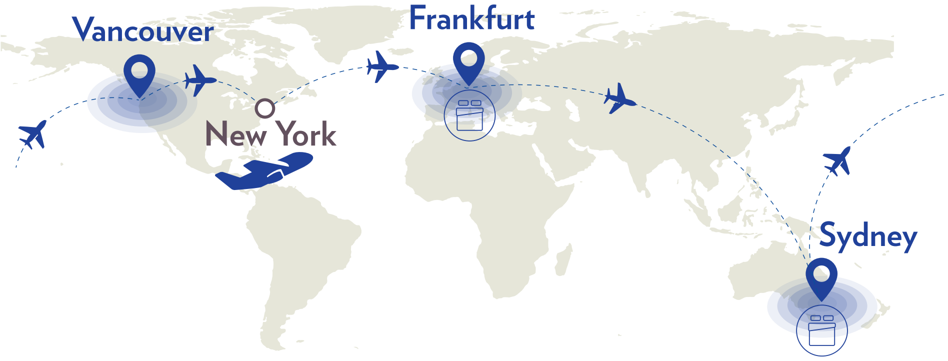
Sydney, Vancouver and Frankfurt are the three cities where all three travellers can access the best-value prices for the eight items.

In comparison to purchasing them at home, the New York resident would have to pay an additional USD 1300 to purchase these items overseas (inclusive of a round-the-world air ticket and lodging).

This is far lower than what a Zurich and Singapore resident would have to pay of USD 9500 and USD 7000 respectively.

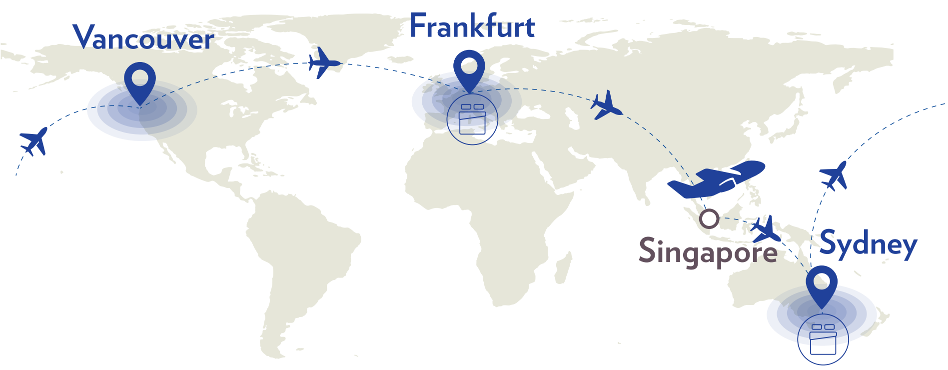
Despite Mumbai being the cheapest city overall, it is of relatively poor value for the eight reference items.

THE NEW YORK TRAVELLER



THE ZURICH TRAVELLER

THE SINGAPORE TRAVELLER



Norbert Rücker, Head of Economics and Next Generation Research, Julius Baer

FLYGSKAM: AIR PRESSURE

Flygskam or 'flight shaming' is a term coined by Staffan Lindberg, a Swedish singer who vowed in 2017 to stop flying because of his guilt over airplane pollution. Other Swedish celebrities soon followed him.

Lindberg's protest has struck a chord internationally. The public at large suspect some frequent flyers justify their travel as a necessity when it may be a habit, while they ignore or are oblivious to the impact. Hence the 'shaming'.

"We have become more conscious about our impact and footprint, and this element influences the many different consumption decisions we take every day," says Mr Norbert Rücker, Managing Director at Julius Baer and Head of Next Generation Research.

While air travel makes up about 2.5% of global carbon emissions[18], it can be a third or more of one's personal climate footprint.

"With two or more long-haul flights, air travel becomes the single most important contributor to the personal climate footprint. We tend to forget that flying is still a privilege from a global perspective," says Mr Rücker.

Despite the hype, it is perhaps too soon to ascertain whether 'flight shaming' has had any impact. According to the latest data of the International Air Transport Association, growth in demand for air travel has been slowing, but this mainly mirrors the economic slowdown.

18 New York Times - 'Worse Than Anyone Expected': Air Travel Emissions Vastly Outpace Predictions, 9 Sep 2019

> "Climate change and our individual impact is a complex topic, and it is very human to seek simple, painless solutions."
>
> Norbert Rücker, Head of Economics and Next Generation Research, Julius Baer

Several airport operators are publicly listed and their passenger reports do not suggest a decline in absolute numbers. Quite the opposite. Mr Rücker believes this should not come as a surprise. "Climate change and our individual impact is a complex topic, and it is very human to seek simple, painless solutions. We could call this the 'plastic straw syndrome'. Reducing plastic use in one's everyday life is worthy, but it is only a gesture. The decisions we make on housing, food and travel have much greater consequences."

Some airlines participate in schemes that let travellers offset the carbon emissions of their air travel. The idea is to calculate a trip's emissions and pay a corresponding price per tonne of carbon dioxide. The donation then goes to projects in developing countries, such as tree planting or clean energy, where carbon mitigation tends to be less expensive than in the developed world.

This mechanism, which was introduced with the Kyoto Protocol about fifteen years ago, is no magic solution. For one thing, calculating the carbon impact is not simple. Some projects would likely materialise without special funding. Plus, they may not be scalable.

The extent to which people are willing to forgo air travel is questionable, as holidays and keeping in touch with friends and family may depend on it. Could taxation be an effective deterrent?

"Unlike cars and road fuels, where taxes are common to cover infrastructure or pollution costs, air travel and kerosene fuel are largely exempt from such taxes today, and they enjoy an advantage," says Mr Rücker.

But this is changing as ever more countries are either considering, introducing or raising surcharges on ticket prices. Taxes are most likely to work best on short-haul leisure routes, where travellers are price-sensitive. Direct fuel taxes are punitive because fuel is an airline's biggest cost and is thus a clear incentive to buy more efficient jets.

Technology has long promised to make business-class travel less necessary but video conferencing, for example, has never really taken off as a travel substitute. This segment of the market remains the bedrock of the established, full-service airlines.

Prices for first-class travel are also fairly inelastic as this segment will fly regardless of taxes or headline charges. Passengers at the front of the plane contribute disproportionately to carbon emissions, given the extra space they enjoy.

In the future, airplanes powered by fuel cells or batteries are likely to become viable for short-haul flights. Changes in traffic control that take advantage of technology to reduce distances between planes in flight could contribute to a reduction in emissions, too. Busy airports have to 'stack' planes before landing, which is costly.

For long-haul flights, carbon-neutral fuels seem to be the only option to curb emissions for the time being. "We expect oil demand to peak and decline after 2035," Mr Rücker adds. "This change will most likely come from the electrification of road transport, not from changes in air travel habits or changes in airplane technology."

HOME

RESIDENTIAL PROPERTY

International buyers lead the market for high-end residential property, and prices tend to move in tandem around the world. In 2019, markets came under pressure, with declines most marked in gateway cities, including London, New York, and Dubai. After a decade of rapid asset inflation, wealthy purchasers are becoming more value conscious, a trend that may benefit secondary city destinations in the years to come.

Real estate is by definition fixed, and therefore local factors continue to play a significant role in where people choose to live and what accommodation to buy.

In the US, overseas purchasers make up half of all prime property market sales, the majority of whom are from just five countries: Canada, the UK, Mexico, India and China. In Miami, even 80% of home purchases are attributed to overseas investors.[19].

Recent caps on state and local tax rebates have hit the top end of the market. In addition, the strength of the US dollar may have deterred some inbound investment, particularly from Latin America.

The Brazilian real lost half its value between 2013–2019. However, structural reforms in Brazil over recent years could see this situation improve.

Vancouver is an extreme example of what happens when cooling measures combine with excessive supply. Sales there are at their lowest level for decades, following years of over-development and a 20% surcharge on purchases by foreigners.

In response to public pressure, the UK has tightened due diligence on money laundering, and this has hit London's prime residential market, long dominated by overseas investors.

19 Mansion Global – Changes in Luxury Real Estate Often Are a Sign of What's to Come for Rest of the Market, 9 Nov 2018

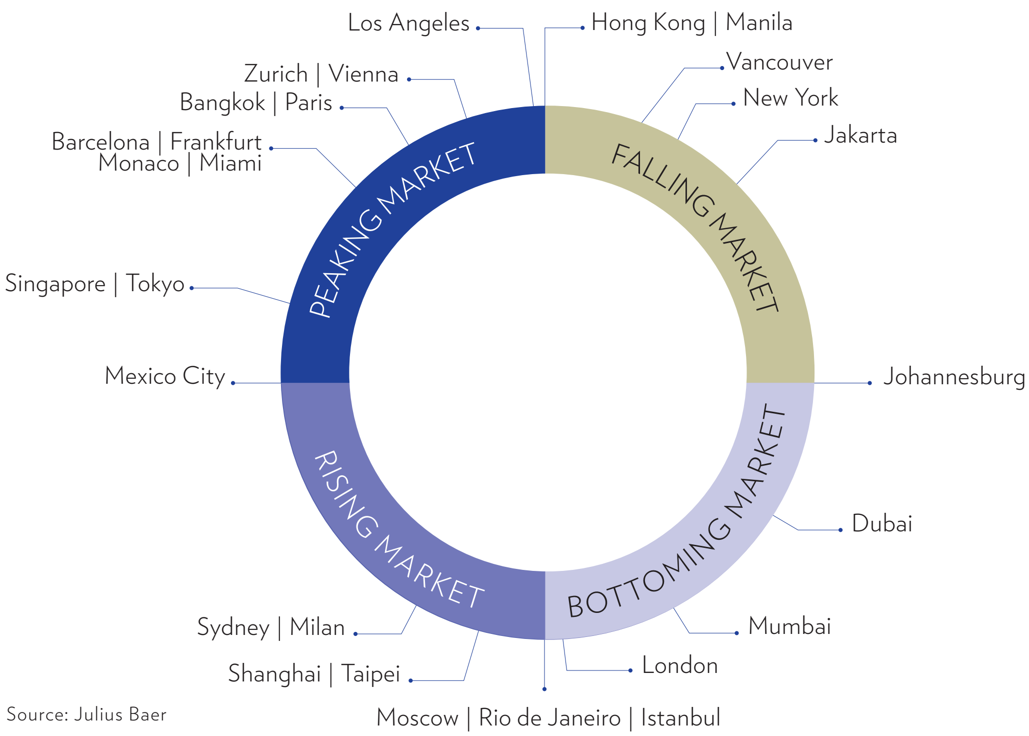
Prolonged Brexit uncertainty has also hurt prices across the capital.

Counteracting this, the London housing market has become around 25% cheaper for US dollar buyers in the past year given the weakness of sterling, prompting renewed interest from Americans.

The UK's robust legal and education systems are seen as enduring draws to overseas buyers and, assuming uncertainty over Brexit fades soon, property activity is likely to pick up.

Across the Channel, Paris has not benefited from the same level of foreign interest since the financial crisis, although Brexit has seen a repatriation of French money from the UK.

RESIDENTIAL PROPERTY MARKET CYCLES OVERVIEW



Source: Julius Baer

In Dubai, prime residential property prices have been in free fall, having declined 20% since 2014, largely due to an overhang of new housing stock[20]. Local realtors expect prices to stabilise, helped by its hosting of the World Expo from October 2020. The government is also amending its visa laws to attract affluent short-term residents and wealthy retirees. Incentives are also in place for property investors, and foreigners can now own UAE companies.

In South Africa, a relative lack of overseas interest has given domestic factors more impetus, with prices outstripping income growth. Luxury apartments and branded residences with security features achieve a significant premium over the mainstream market, according to Knight Frank.

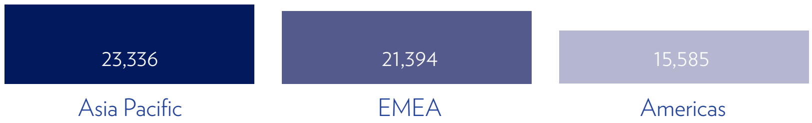
The reverse is the case in Singapore, where mainland Chinese vie with local buyers. Singapore has built on its safe-haven reputation and is now home to six out of the world's 11 'super penthouses'[21]. Sales of units fetching USD 10 million or more are at an 11-year high[22].

Meanwhile in Hong Kong, the market has yet to register any meaningful deterioration. That may be tested in the coming months, but developers remain confident in market growth over the medium to long term[23].

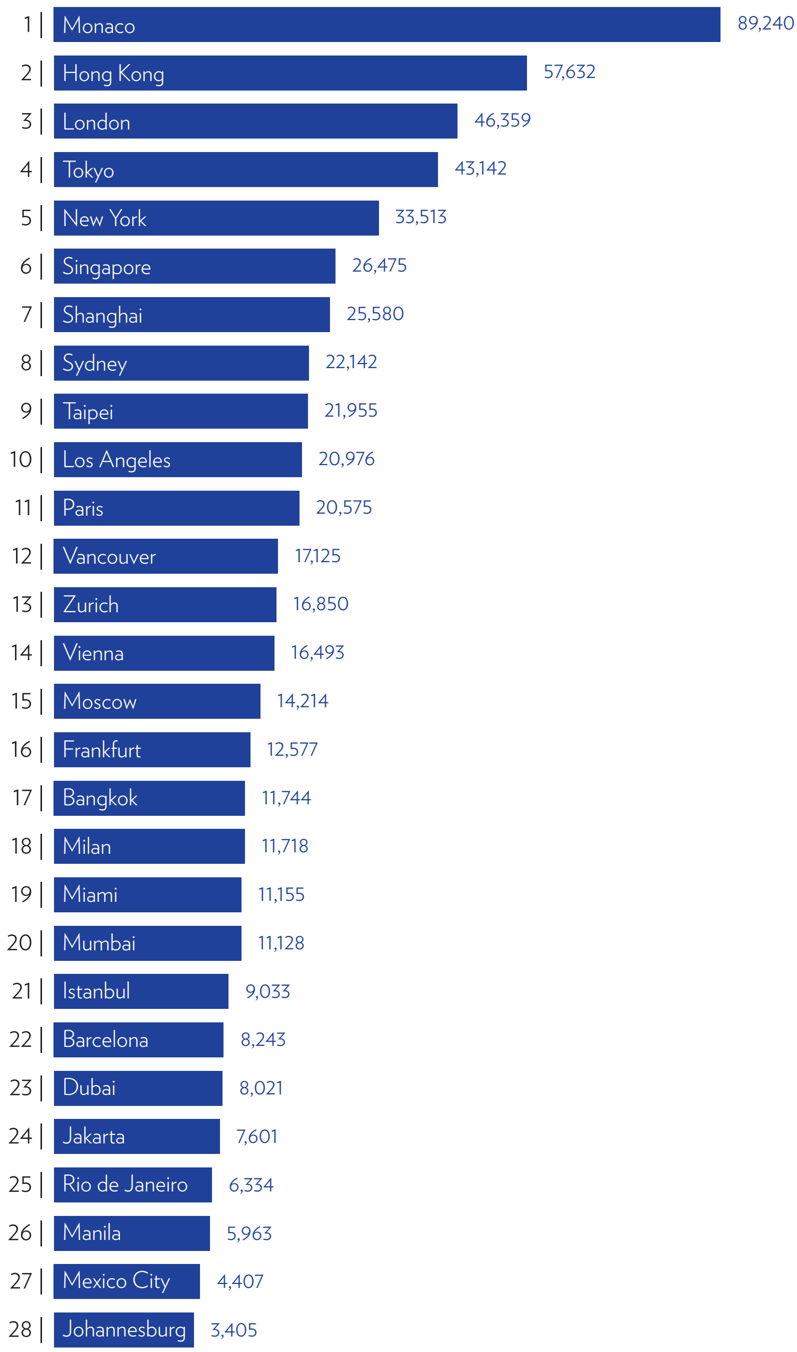
Monaco takes the top spot in the Julius Baer Lifestyle Index, owing to restrictions on new construction and excessive demand. Hong Kong and London are the second and third most expensive locations, respectively. On the other hand, Johannesburg, Mexico City and Manila offer the best value for premium real estate in emerging markets. Mexico City's restriction on foreign ownership has kept a lid on property prices.

AFFORDABILITY BY REGION

US dollar average | 2019



US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

20 Knight Frank
21 List Sotheby's International Realty
22 Orange Tee & Tie
23 Knight Frank

CONSCIOUS INSIGHT: GREEN BUILDINGS

Building and construction account for around 40% of all carbon emissions according to estimates[24]. As a result 'Green Building' has become big business. In the US, the regional market leader, around a third of the construction sector is said to revolve around green buildings[25].

While public buildings are increasingly expected to meet LEED[26] and other certification standards, the influence of 'conscious consumption' is not yet evident in the prime residential property market. Few prime property buildings boast green credentials in their construction – although they may be energy efficient to manage once built.

Formal regulation may be the way forward. In Singapore, the Green Building Council has instituted major changes in the past decade, including improving energy and water efficiency using eco-friendly construction materials and creating healthier indoor spaces.

It has a target of 'greening' 80% of all buildings by 2030 to its BCA Green Mark standard[27].

In addition, Singapore offers incentives for higher green-building ratings, including subsidies to retrofit green solutions to older buildings.

Meanwhile, in South Africa, the Green Building Star certification has been awarded to 400 buildings since it was established in 2007. The programme reports that the average green building cost premium has fallen from 5% to less than 3% in the past three years[28].

24, 25 World Green Building Council

26 LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world. Available for virtually all building, community and home project types, LEED provides a framework to create healthy, highly efficient and cost-saving green buildings.

27 Jones Lang LaSalle

28 Green Building Council South Africa, The Association of South African Quantity Surveyors, University of Pretoria Faculty of Engineering, Built Environment and Information Technology

Liam Bailey,
Head of Research, Knight Frank

LUXURY INSIGHT: RESIDENTIAL PROPERTY

Residential property is arguably the ultimate purchase for most buyers. Unlike 'Veblen' goods – that is, products that paradoxically become more in demand the more expensive they are because of their perceived desirability or status – house prices respond to conventional laws of supply and demand.

Admittedly, the prime real estate market is less sensitive to macro-economic variables, such as unemployment and mortgage rates, than the mass housing market. Still, clear trends have emerged over many years in the preferences of luxury buyers: they look for relative value and they are increasingly assertive.

"It's fair to say there is a global premium real-estate market," says Liam Bailey, Head of Research, Knight Frank. "A huge wealth creation story has been playing out over the past two decades, much of it from Southeast Asia, but also globally."

Mr Bailey says there has been a desire among these wealthy investors to diversify their portfolios by asset type but also by geography, creating a top tier global market of key gateway cities around the world. Potential buyers will equally consider London, Los Angeles, or Hong Kong.

During the global financial crisis, all markets fell at once. The international financial centres such as London, New York, Hong Kong and Singapore then recovered first, pulling ahead as prime luxury markets. Recovery in this segment took longer for other cities, especially in Europe.

"While luxury property is always in demand, over the past decade investors have focused on markets where there is real liquidity and certainty," says Mr Bailey. "For instance, London felt like a safe bet in the wake of the global financial crisis. However, since 2019 we have seen a general slowdown in price growth in most high-end city destinations."

Typically, high-net-worth purchasers are not considered so price conscious. However, in residential property at least, that may be changing. "We've seen ten years of rapid asset price appreciation across the board, including luxury property. That doesn't just continue forever. There comes a point when even wealthy purchasers feel they can't justify higher prices. That expectation of lower growth is global."

Indeed, even markets such as London, New York and even Dubai have seen price falls in the past two years. What has made the global market more challenging is that local factors are coming into play. These always matter but seemed less important when all markets were going up.

"For each property market, there is a global story, but also a local one. In New York's case, a lot of new-build inventory delivered into the market in 2014-2016 has put pressure on prices, and Dubai had a similar supply glut. Meanwhile in London, taxation in the form of stamp duty, as well as Brexit, have added to pricing pressure. But generally, there is little expectation of strong future growth, and so prices are starting to feel stretched. While this doesn't seem to be deterring new buyers from entering the market, they are increasingly looking for value."

Not every market is following predictions. For example, Singapore property prices wrong-footed analysts by starting to rise again in late 2019, after cooling measures implemented in mid-2018 were thought to have subdued demand.

The search for value

As a result of asset inflation in key global cities, wealthy buyers from Southeast Asia have begun to look beyond the usual boltholes. In Europe, for example, they are moving on from London to Berlin, Madrid or Barcelona. Bailey says that these markets have become much more popular in the last couple of years, because of the value they offer. More overseas investors are likely to follow.

In addition, investors are looking to diversify portfolios. In Asia, Chinese buyers have shown strong interest in Australia, Singapore and Malaysia, as well as the key global gateway cities within Asia. Globally, cities such as London, Vancouver, Los Angeles and New York are also seeing interest.

"Another way to find value is focusing not just on cities, but on specific districts within them," advises Bailey. "We spend a lot of time helping clients understand which specific parts of particular cities are more likely to outperform in the medium to long term."

As ever, a shift in intergenerational patterns is emerging among luxury buyers. London provides an interesting example. "The older generation of investors coming from the Middle East, Asia or Europe, have tended to focus on the so-called 'Golden Postcodes' of Mayfair, Belgravia, Kensington and Chelsea. Young wealthy buyers are happier investing in the city fringe, or the South Bank, which are not traditional luxury locations. Proximity to work, good restaurants and friends cater to their lifestyle, making such locations attractive."

The same is true in other cities. But this impact on property prices is not without controversy – existing dwellers could be squeezed out by increasing costs. On the flip side, this shift in focus also brings about a positive multiplier effect. Investment and development of high-end properties create jobs and support economic growth.

There is a counter-trend among younger buyers towards trading space for location. "We've seen developers building smaller residential units in very central locations in US cities and London," says Mr Bailey.

Over the last five years or so, demand for second homes in European cities has surged. Buyers want properties for their own part-use, which they can otherwise rent out. "We are seeing a trend towards a clearer focus on what is seen as buying a home, and what is considered a pure investment. That leads to smaller property portfolios."

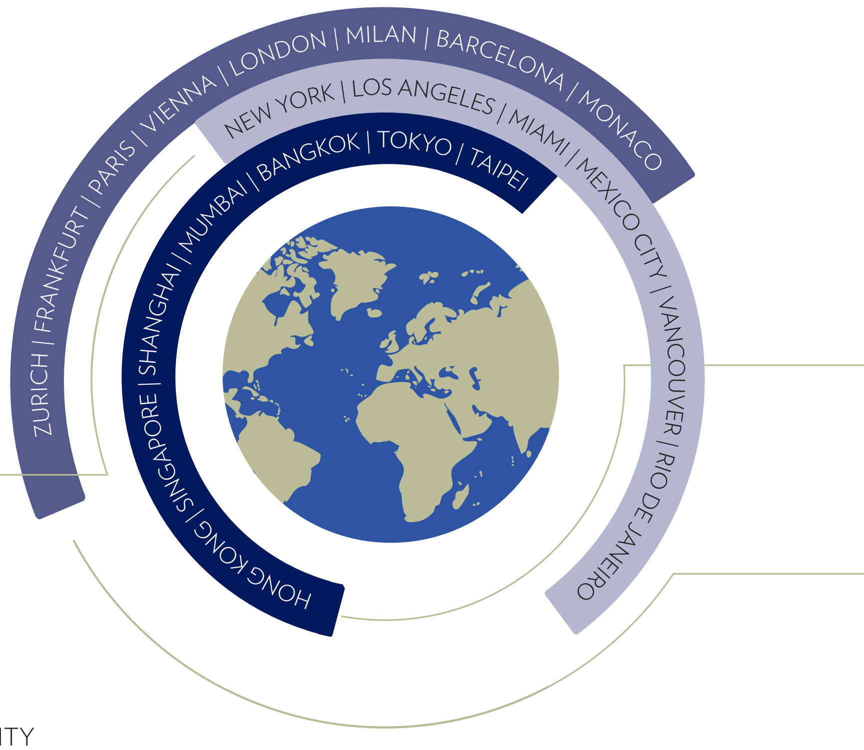
Similarly, Mr Bailey says that buyers are becoming more circumspect of buying in far-flung locations "which can seem like a great idea, but if you want to see your friends who don't own jets, it isn't as convenient. So there is some shift away from very long-haul destinations, which aren't seen as sustainable, and towards more urban destinations."

The market for eco and environmentally friendly green buildings remains embryonic. For most consumers, if a product or property can be offered that is green and energy efficient, it is seen as a bonus, but there is little evidence that people are willing to pay more for that. Mr Bailey concludes, "I do think demand for green buildings can grow relatively quickly, and you are seeing this in the commercial property sector. How it spills into residential and luxury is less clear cut. It is up to the vendor to demonstrate the benefit."

"London felt like a safe bet in the wake of the global financial crisis. However, since 2019 we have seen a general slowdown in price growth in most high-end city destinations."

Liam Bailey, Head of Research, Knight Frank

RESIDENTIAL PROPERTY AROUND THE GLOBE



AMERICAS

NEW YORK
New York has a high supply of new prime stock and developers are having to compete for buyers by lowering prices. There is also a significant amount of new prime stock currently under construction. This is likely to put further downward pressure on pricing.

LOS ANGELES
Prices for prime Los Angeles apartments have continued their upward trajectory in the year to Q1 2019. Though the rate of growth has slowed, demand remains strong as buyers continue to be drawn to the LA lifestyle. Historically, wealthy buyers in LA have gravitated towards detached family homes in gated developments. However, new luxury condo developments are transforming the market.

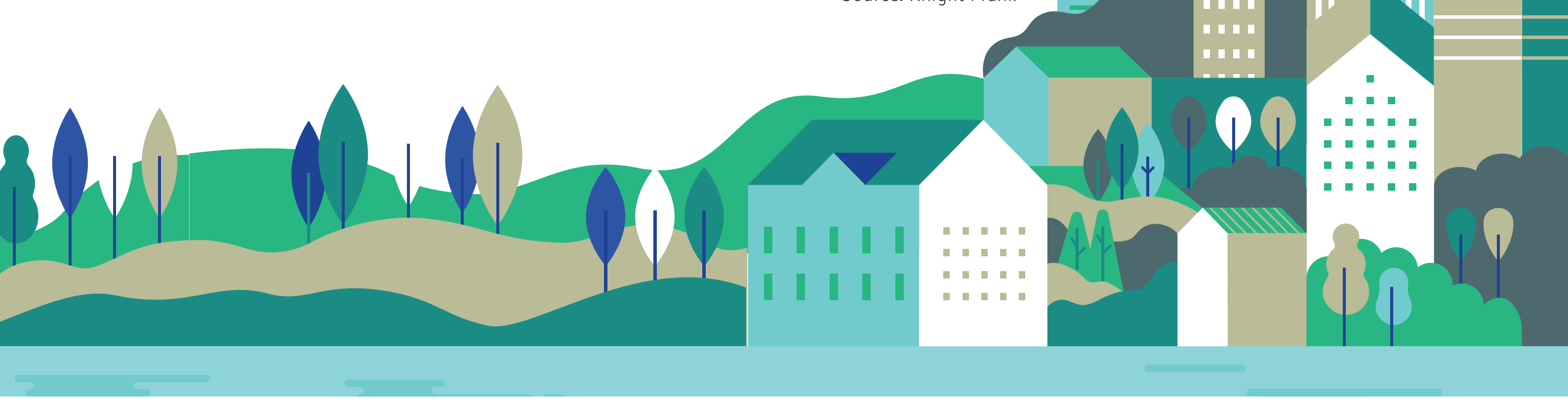
MIAMI
Prime property in Miami has recorded strong growth in the year to Q1 2019. Demand comes from a broad base, with local, national and international buyers all active. However, there are a number of new luxury developments under construction in Miami and this rise in supply may dampen price growth over the next year.

MEXICO CITY
Prices in Mexico City have recorded a strong growth of 7.9% in the year to Q1 2019. The prime market in Mexico City is mainly driven by domestic demand. Under the current system of fideicomiso, foreigners can only own real estate indirectly through a trust, this discourages many foreign buyers.

VANCOUVER
Vancouver's prime market above CAD 3 million continues to suffer from increased land transfer taxes at that level and increased property taxes above CAD 3 million. While we've seen price corrections in that segment up to 35% to 40%, buyers are still more hesitant than the lower end of the market.

RIO DE JANEIRO
Rio de Janeiro's prime market recorded a decrease in pricing of -2.8% in the year to Q1 2019. The most expensive neighbourhoods in Rio de Janeiro are Leblon, Ipanema and Gavea. Demand for luxury apartments in these neighbourhoods is driven by a mix of foreign and domestic buyers.

Source: Knight Frank



ASIA / AUSTRALASIA

HONG KONG
The overall market has stagnated as the ongoing trade war pushed buyers to the sidelines with many worried about its impact to the domestic economy in 2019.

SINGAPORE
Overall volumes remain low but buyers are dipping their toes back in after the latest round of cooling measures. There remains an element of pent up demand built up from years of cooling measures.

SHANGHAI
Purchase restriction policies continue to dampen market growth. No policy change is expected over the near term as the government has reiterated its stance to cap the housing market growth.

MUMBAI
The market remained steady in the first quarter of 2019 ahead of Q2's elections but things are expected to improve with a more balanced supply and demand environment and improved liquidity environment.

BANGKOK
The market remains challenging as it continues to digest 2018's record supply. Prime sector prices held up in the first quarter of 2019 as buyers rushed to complete purchases ahead of tighter loan policies deadline at the end of the quarter.

TOKYO
Prices rose on limited supply and low borrowing costs. However, the ongoing global uncertainty is expected to delay buyer purchase decisions and impede any further price growth.

TAIPEI
The prime market remains lukewarm due to mortgage caps for luxury homes, but offset by low interest rates and limited supply.

JAKARTA
Market conditions remain soft due to supply imbalance and cautious demand. However, the recent easing of property taxes on luxury properties is expected to provide a short-term boost to the segment.

MANILA
Demand from domestic and foreign investors remains robust, with some buying in bulk. Many intend to lease out units as employee housing for foreign workers from Philippine Offshore Gaming Operation (POGO) and the IT-BPM sectors.

SYDNEY
Tight lending conditions have been the root cause of the soft market conditions. However, there have been some positive stimuli such as the Australian Prudential Regulation Authority (APRA) encouragement to loosen the loan serviceability assessment; in effect allowing more home buyers to borrow.

Furthermore, the recent coalition election victory has limited the risk of changes to negative gearing policies and the capital gains tax regime, followed by two cuts to the cash rate.

EUROPE / MIDDLE EAST / AFRICA

ZURICH
The Lex Koller law means that non-residents cannot purchase properties within the city precincts and this has limited the growth of the prime market. However, the sustained shortage of apartments continues to drive purchasers' willingness to pay high prices.

FRANKFURT
Despite an increase in development activity, supply continues to be outstripped by demand, especially in the most desirable neighbourhoods. Strong economic growth and inward migration has boosted demand for housing, particularly for centrally located apartments, in the neighbourhoods of Westend-Nord and Westend-Süd.

PARIS
The prime market has recorded strong price growth over the past 12 months with tight supply of new development. Strict planning rules limit development and, aside from La Défense, most areas are restricted to a height limit of just six storeys.

LONDON
Despite general price falls, the resilience of prime new build developments has meant that units have held their value and any fluctuations would be in single digits in percentage terms.

VIENNA
The prime residential market lies within the Innere Stadt district where new build properties achieve significantly higher pricing than elsewhere in the city. Vienna's prime market has recorded robust price growth in the year to Q1 2019 fuelled by both domestic and international demand. The Austrian market is considered a safe-haven market and Vienna has ranked top of Mercer's global Quality of Living ranking for the tenth year in a row.

MILAN
Following several years of falling prices, prices in Milan have stabilised and are starting to show signs of recovery. Milan's international appeal has bolstered demand for prime properties and prices have held firm in the year to Q1 2019. Demand is rising in the luxury market in neighbourhoods like Porta Romana, Castello, Pagano, Magenta, Sant'Ambrogio and Brera.

BARCELONA
Despite rapid price growth over the past year, Barcelona remains affordable compared to other European cities. This has attracted buyers with the prime market driven primarily by international demand. There has been strong price growth recorded in the prime neighbourhoods of Diagonal Mar, Esplugues and Eixample.

MONACO
Monaco has recorded modest price growth for prime properties over the past year, while average prices across the market rose more substantially. Large apartments are highly desirable and command the highest price per square meter. The highest prices are found in Lavotto followed by Monte Carlo, and Condamine.

DUBAI
Prices in Dubai have fallen around 20% in the last five years, due to high levels of new build stock and global economic uncertainty. In the 12 months to Q1 2019 prices fell by 3.8%.

ISTANBUL
The buyer pool for luxury residential in Istanbul is relatively shallow and economic uncertainty and instability has caused buyers to pause and prices for luxury properties have declined year-on-year. The devaluation of the Turkish lira has magnified this negative price growth for foreign buyers.

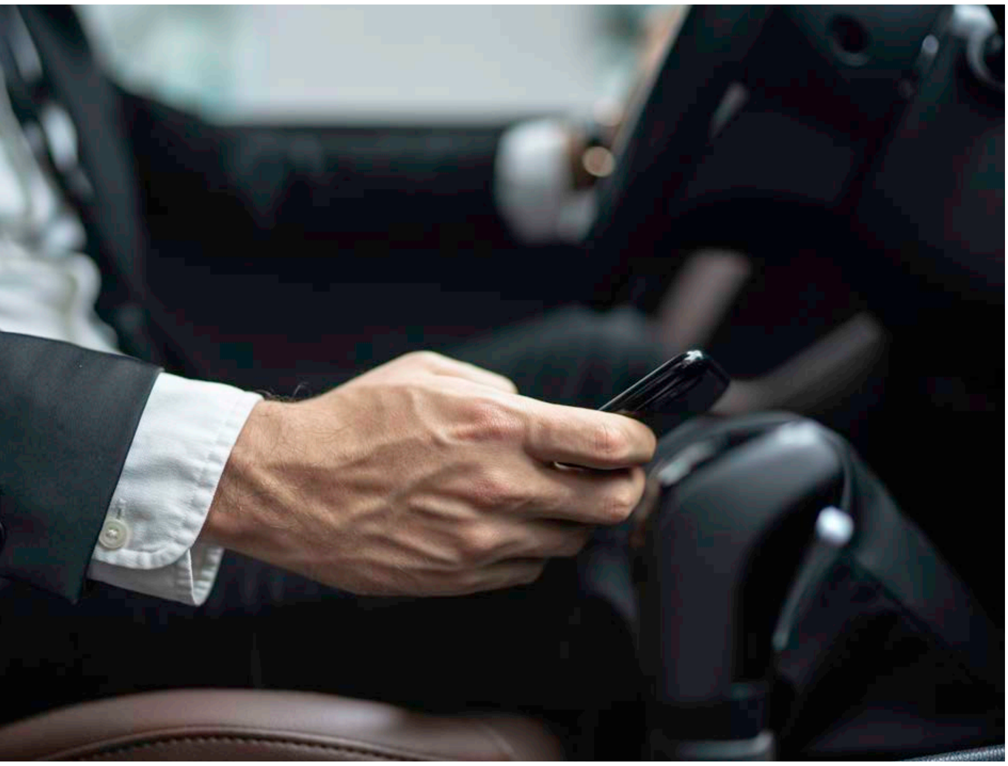
MOSCOW
The average weighted price of a square meter in the prime new-build market rose significantly in the year to Q1 2019. There has been positive price growth since the end of 2017. Measures in the UK have boosted the prime Moscow market. Many Russian buyers are choosing to buy at home rather than invest in the London market.

JOHANNESBURG
Prime apartment prices have recorded a modest increase in the year to Q1 2019. Luxury apartments and branded residences in Johannesburg achieve a significant premium over the mainstream market. Buyers prefer, and are willing to pay a premium for security and luxury amenities. The rand continues its long-term downward trend and when measured in USD, prices are down year-on-year.

Source: Knight Frank

CARS

The premium car market is forecast to grow by about 6% per year over the next five years[29], with electric vehicles driving an increasing proportion of sales.



BMW sees a growing market for luxury cars, and have ambitions to increase their luxury volume from 65,000 units per year in 2018 to more than 135,000 units per year in 2020.

According to Rolls Royce, the average age of their buyers has fallen from 57 to 43 in the past ten years. In Europe, new supercar owners are still in their 50s, whereas in California they are more likely to be mid-30s and in China in their 20s.

Despite declining sales in the overall car market, sales of luxury vehicles are robust in China, driven by consumers in affluent cities such as Beijing and Shanghai.

Women are an increasingly important demographic, albeit they are still few in number. Ferrari reports just 5% female buyers. The outlier is Aston Martin's DB11 Grand Tourer, which already has 50% female buyers in China[30]. China has the most self-made female billionaires[31], and luxury cars have become a way to symbolise that success and empowerment.

Personalisation is a growing trend, with customers able to specify anything from seat stitching to the colour of brake callipers. McLaren, for example, even has its own paints division to produce unique shades and finishes.

Sustainability is a big issue for the industry's future. Bentley's concept EXP 100 GT coupé is all-electric and uses eco-friendly materials, from reclaimed wood to organic leather substitutes. While it is unlikely to see the light of day for some years, these features will no doubt seep into the company's wider product line-up.

The interest in electric cars has accelerated in recent years, driven by consumer concerns about the environment, and subsequent toughening of emissions regulation, combined with recent scandals concerning diesel-engine emissions testing.

To reflect this trend, this year's Lifestyle Index has been compiled using BMW's 7 Series hybrid vehicles where possible.

29 Mordor Intelligence

30 Financial Times – 1 Sep 2019

31 Hurun Richest Self-Made Women in the World 2019

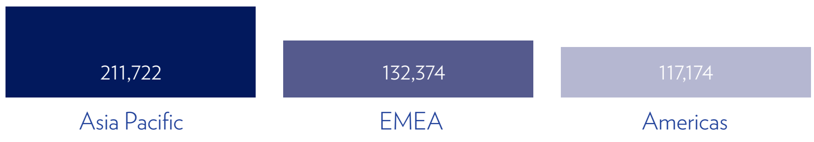
There was a marked difference in the price of luxury cars across the world in 2019, with the Americas offering the best value, followed by EMEA and Asia a distant third.

The Asian cities of Singapore, Shanghai and Hong Kong, are the most expensive in the world in which to purchase a luxury car. This is a result of very high taxation rates. For instance, China levies import duties, value-added tax, and a consumption tax depending on the size of the car's engine. Indeed, all but two of the 11 most expensive cities are in Asia. The exceptions are Istanbul at four and Rio de Janeiro at six, due to their comparably high taxation rates on luxury vehicles.

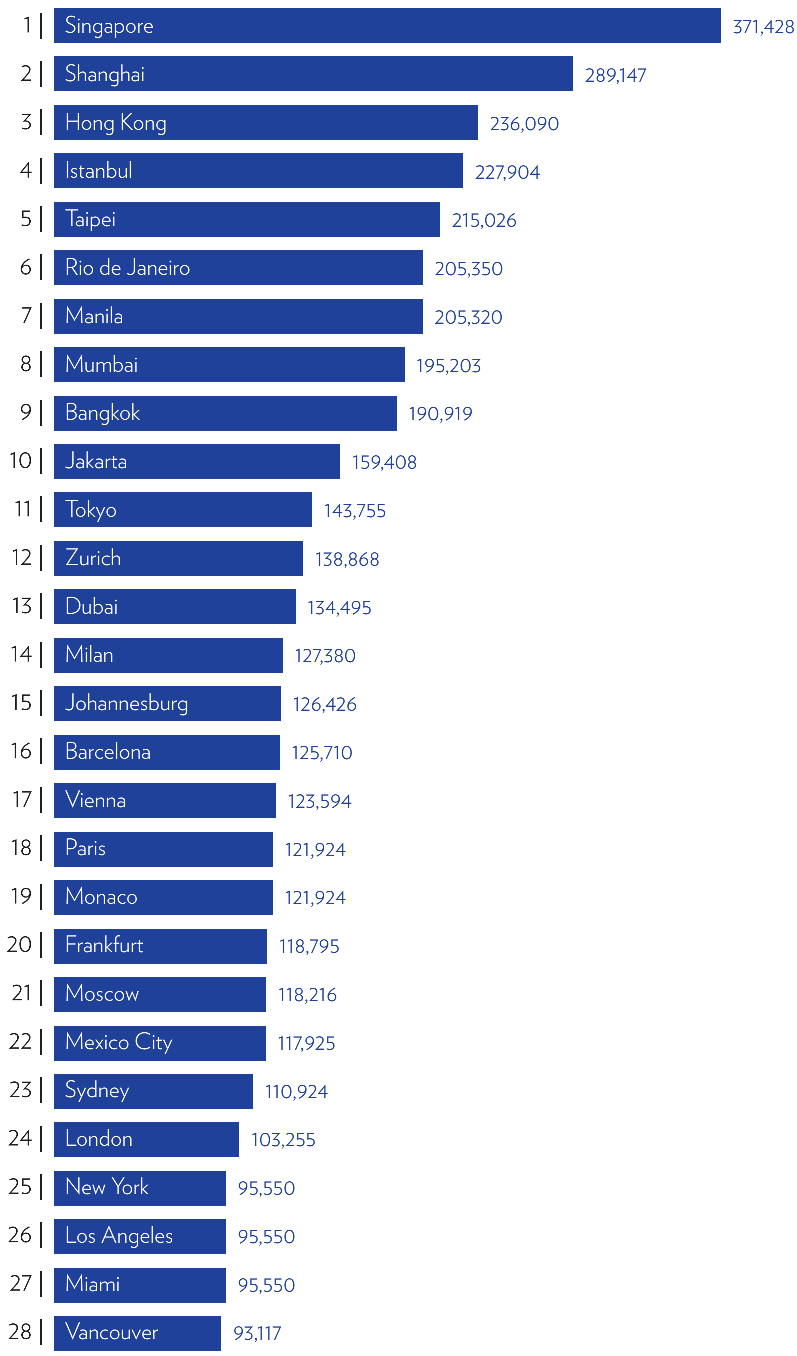
The best-value city is Vancouver followed by New York, Los Angeles and Miami. American buyers benefit from the bargaining power and economies of scale that comes with the sheer size of its car market. The best-value premium car market in Europe is London.

AFFORDABILITY BY REGION

US dollar average | 2019



US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

Jens Marquardt,
Director of BMW Motorsport

CONSCIOUS INSIGHT: CARS

Competition to deliver high-end all-electric vehicles is intense. Premium marques such as Daimler aim to have ten different electric vehicle models available by 2022[32]. As is common in new markets, the first generation of all-electric luxury vehicles are likely to set a high watermark in terms of price; before the technology, particularly that of battery packs, establishes and becomes more affordable.

As a result, the race is on, both metaphorically and literally. Brands such as BMW use motorsport to showcase the performance of their cars and as a test bed for new technologies. BMW i Motorsport entered Formula E, the all-electric single-seater racing series, in 2018. It was the motorsport's fifth season, and BMW chose to enter at this point because it was the first time the event would be raced with one car and one battery charge, which BMW felt was the right technological message.

Mr Jens Marquardt, Director of BMW Group says racing is "a good environment to keep your company moving and also to keep development alive." He believes racing presents the perfect opportunity to really push the boundaries – something which is not possible within the parameters of a normal product development lifecycle.

32 Daimler AG

Before joining Formula E, BMW had not participated in any single-seater category for almost ten years. From 2009, Formula One no longer accorded with the company's sustainability ethos. Compared to the 'super high-tech' Formula One, Mr Marquardt believes that Formula E has more technological relevance.

The challenge, then, is to transfer the knowledge gained from the controlled environment of the race track, onto the public roads. "This experience informs the group's strategy around, for example, performance-level efficiency, weight, power density. For instance, the high-voltage software that does all the electric motor control is the same base software as is used in the i3. Whatever we learn here finds its way back into road cars."

Cost and infrastructure

The running costs of electric vehicles are markedly lower than internal combustion engine vehicles. Maintenance and repairs will also be dramatically cheaper and less frequent. Up to half of car maintenance is attributable to the internal combustion engine, which contains hundreds of moving parts, whereas solid state systems and electric motors typically have fewer than ten.

Electric cars are pollution-free, so their environmental impact is really embedded elsewhere, in their cost of production (especially batteries) and how the electricity needed to recharge them is sourced. But they remain expensive because of still-low volumes, albeit governments often subsidise them.

The main barrier to faster take-up is battery technology, which limits the distance electric cars can go between charges, dubbed 'range anxiety'. 200-300 kilometres is the current maximum, depending on how the car is driven.

There is also the lack of a physical charging infrastructure outside of major cities. For this, governments must invest, possibly alongside the private sector.

At present, in most countries, the percentage of electric cars on the road is very small, typically lower than 0.5%. China is relatively more advanced, with 1%; California benefits from sunshine and, perhaps, a 'Tesla effect', with 2%, while oil-rich Norway is an absolute outlier, with 10% plug-in electric vehicles already on the road, due to long-standing and powerful government incentives and subsidies. BMW will soon be in a position to have every car in every region of the world available with whatever powertrain for any model. Mr Marquardt believes this is important because consumer choice will be dependent, to an extent, upon the local charging infrastructure. "Idaho in America has probably a bit of a harder access to charging infrastructure than it might be in Amsterdam in Europe, or in Shanghai in China, so requirements will be different all over the world." BMW is well advanced in these plans: it will have 13 battery-only models by 2023[33].

What about the future of the car industry at large? Manufacturers are still wringing efficiencies out of the combustion engine, including better fuel use and lower emissions. Hybrids provide a best-of-both-worlds intermediate technology. But the real threat to manufacturers may lie with urbanisation. In congested cities fewer people may want cars; more pedestrian zones and fewer parking spots already make city ownership less practicable in Europe.

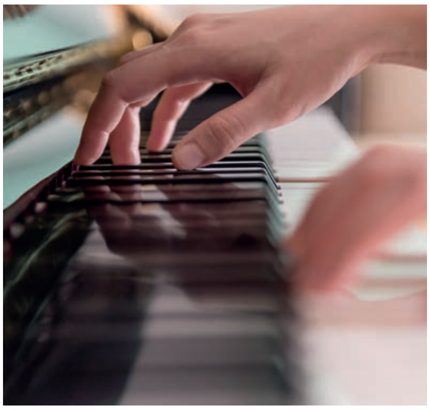
Mr Marquardt anticipates different modes of mobility depending on where people live. "I grew up in a small village in the Black Forest where you will always have people that will need or want individual mobility. At the same time, there will be mega cities where you definitely have very good public transport systems where autonomous vehicles will be available."

"[Racing is] a good environment to keep your company moving and also to keep development alive."

Jens Marquardt, Director of BMW Motorsport

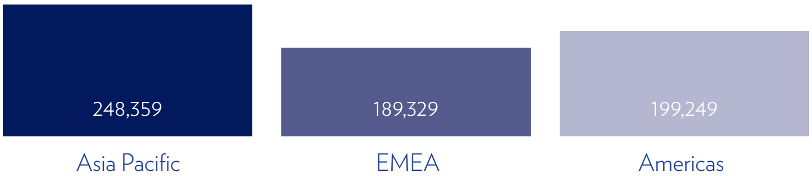
33 Financial Times, BMW signals end of road for its i3 electric car

PIANOS

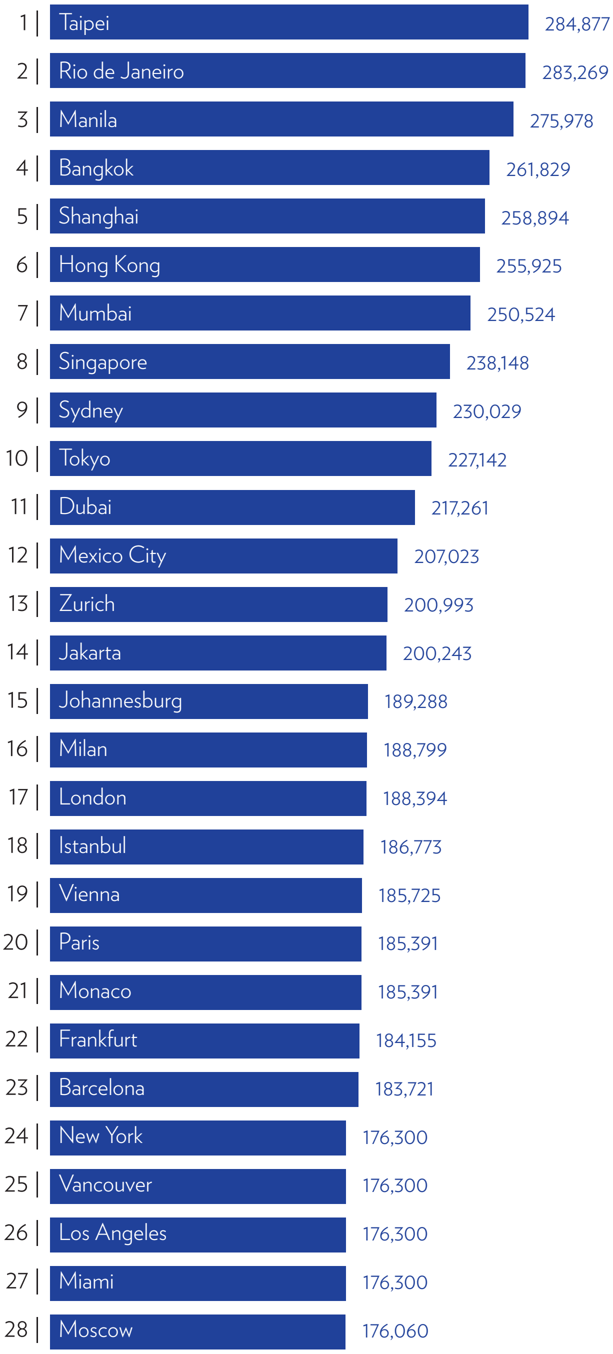


AFFORDABILITY BY REGION

US dollar average | 2019



US dollar | 2019



Moscow offered the best value for purchasers of pianos in 2019, followed by North American cities of Miami, Los Angeles, Vancouver and New York.

Cities in Asia and emerging markets offer markedly less value, with the most expensive being Taipei, Rio de Janeiro and Manila respectively.

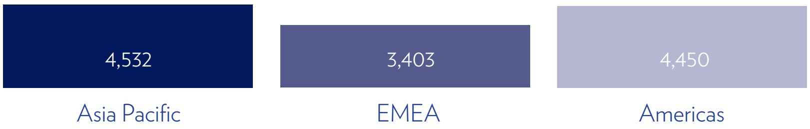
Prices refer to the representative goods or services as shown in the Methodology on pg 121

EXPERIENTIAL

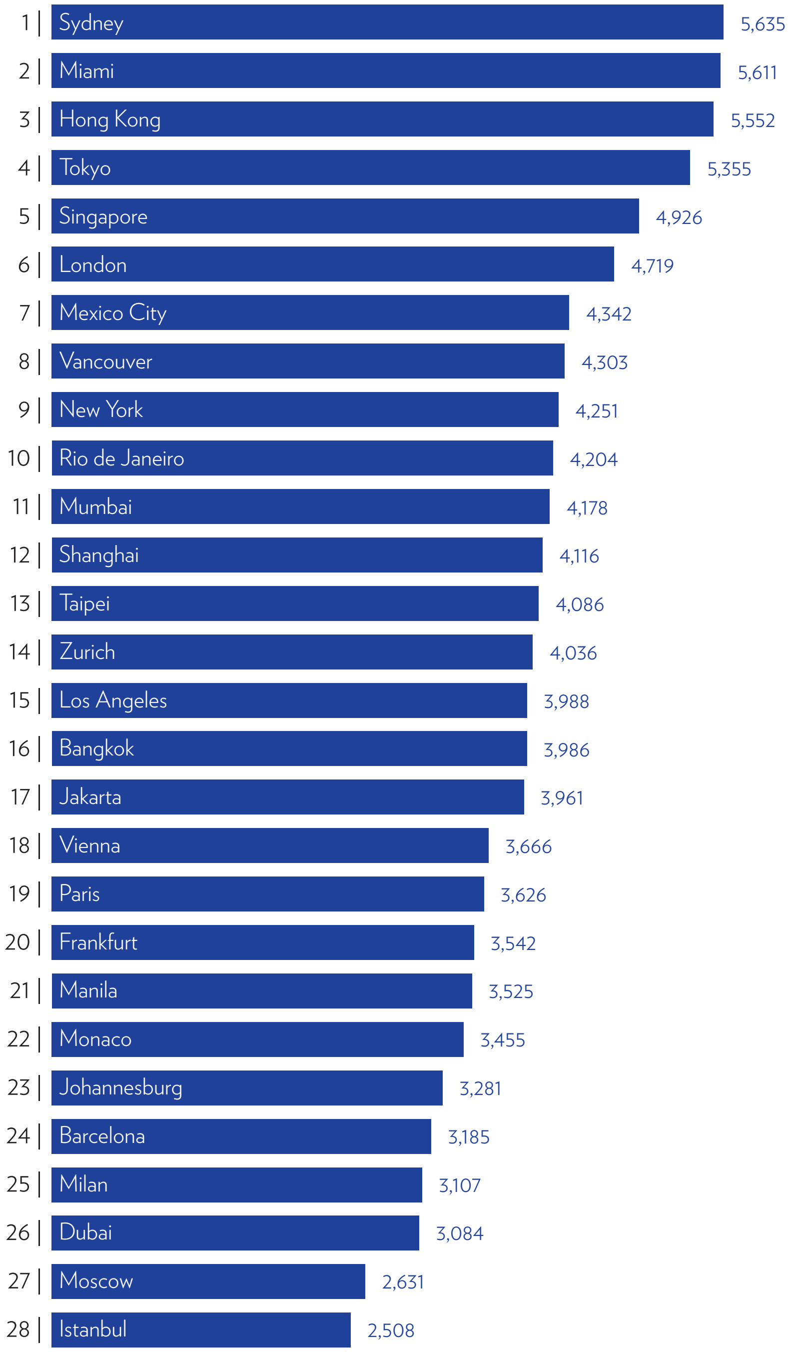
FLIGHTS

AFFORDABILITY BY REGION

US dollar average | 2019



US dollar | 2019



Sydney, Miami and Hong Kong were the most expensive cities from which to fly business class in 2019.

Travellers who set out from Istanbul, Moscow and Dubai access the best-value tickets. Regionally, travellers from Europe were offered the best-value business class flights in 2019.

Istanbul has ambitions to compete on East-West flight routes and is currently constructing what will be the world's biggest airport. When Istanbul New Airport is fully completed in 2025, it will have the capacity to handle 200 million passengers annually[34].

In addition to taxation, the regulatory structure of domestic airline markets can affect competition and hence prices. For instance, consolidation among airlines in the US may be a contributing factor to relatively high prices, whereas Spain is a competitive market, reflected in Barcelona's lower prices.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

34 https://www.cnbc.com/2019/04/08/photos-inside-12-billion-istanbul-new-airport-biggest-in-the-world.html

HOTELS

Regionally, hotel suites were notably more expensive in the Americas than either EMEA or Asia in 2019.

However, the most expensive city worldwide is Tokyo, followed by New York, Los Angeles and Hong Kong.

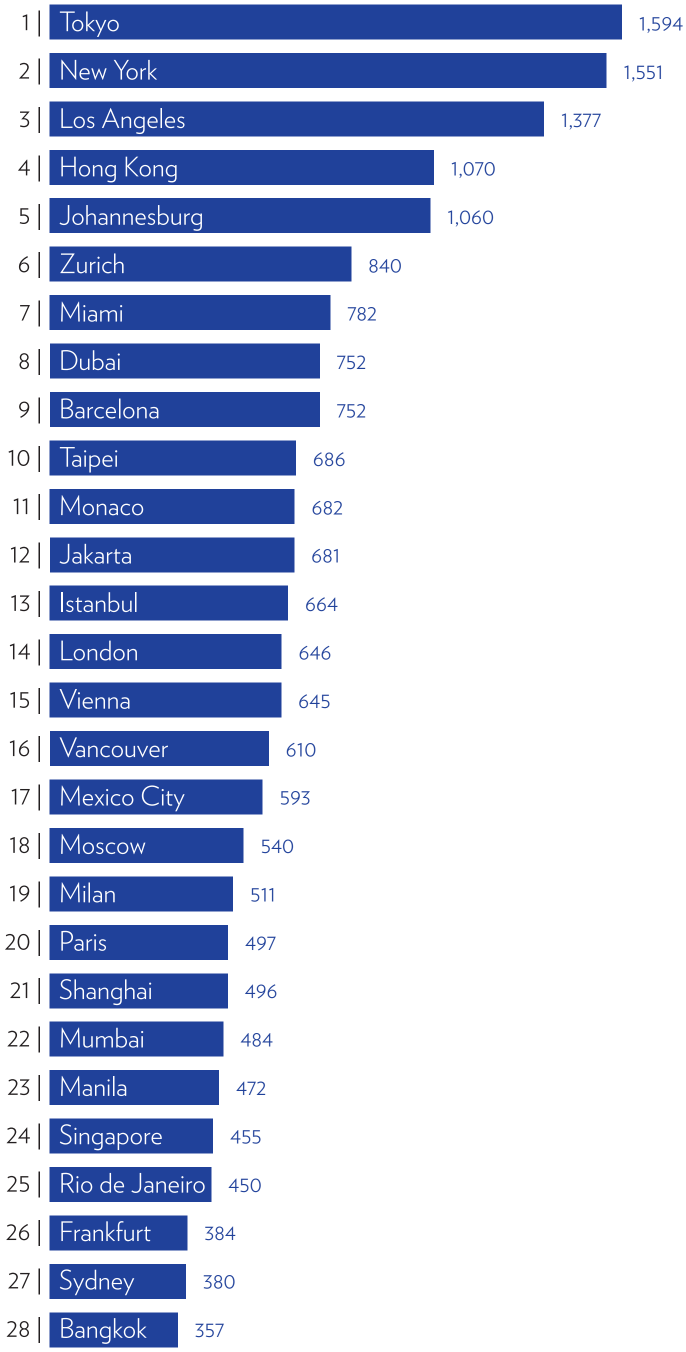
The best value are Bangkok, Sydney and Frankfurt, followed by Rio de Janeiro and Singapore.

Only two European cities feature in the ten most expensive globally – Zurich (6) and Barcelona (9).

AFFORDABILITY BY REGION

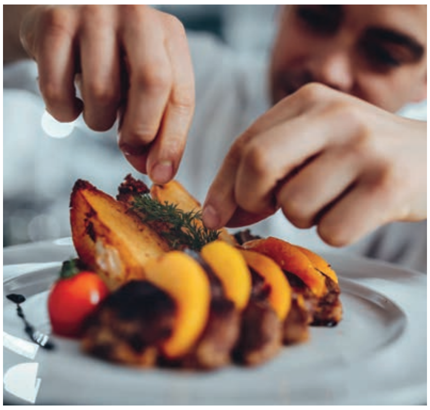
US dollar average | 2019

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

FINE DINING



Fine dining marries culinary skill, invention and sometimes a touch of glamour. These days the best chefs are household names, even though high prices and long waiting lists proclaim their establishments' exclusivity.

The whole experience constitutes experiential luxury, sitting at the intersection of art, science and philosophy.

Understandably, running a restaurant can be precarious. State-of-the-art kitchens, a large staff and, in city centres, high rents drive up overheads. Ingredients may come from around the world. Yet to maintain quality, there are only so many covers a restaurant can do each day.

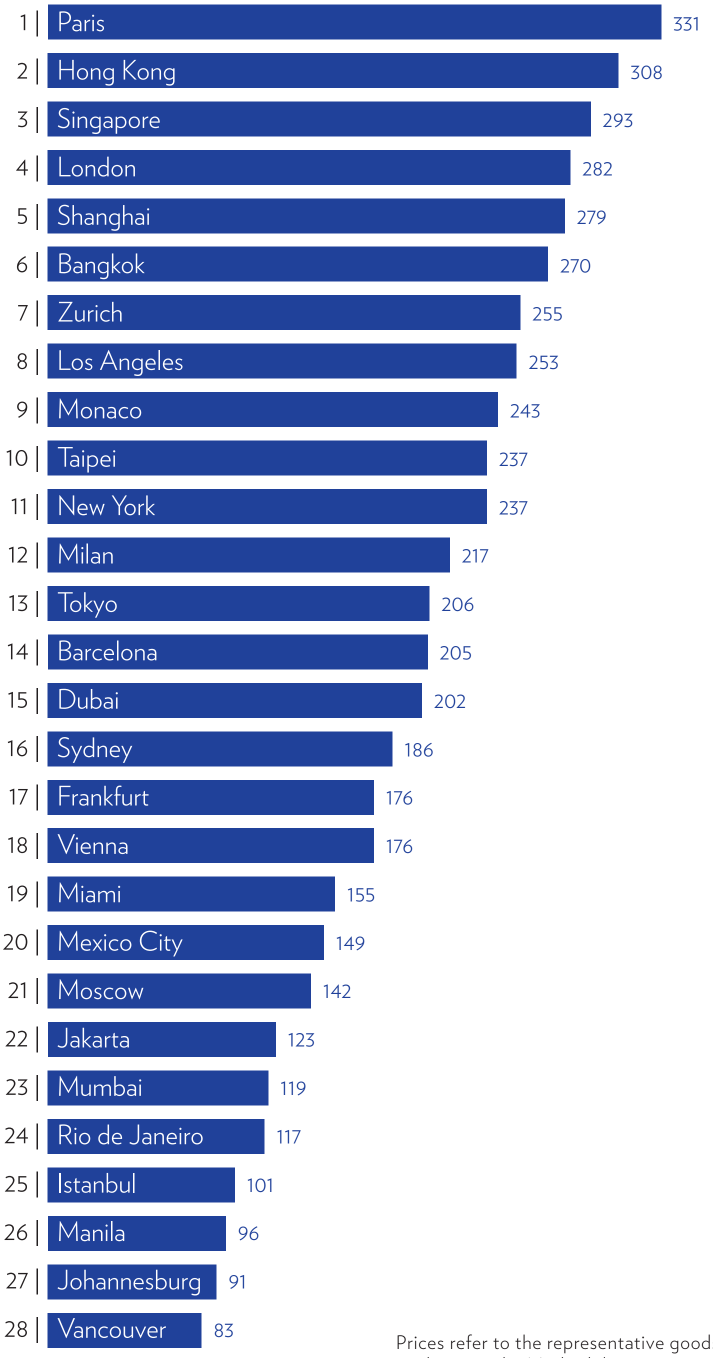
While this improves the attraction to some customers – getting in is part of the challenge – from the proprietor's stance there is always the possibility of a disappointing review or an upstart competitor to take customers away. Nevertheless, enjoying good food is a feature of the 'experiential' economy.

Paris, Hong Kong and Singapore charged the most for fine dining in 2019. Regionally, Asia is the most expensive place to enjoy fine dining, followed by Europe, both of which are significantly more expensive than the Americas. By city, Vancouver, Johannesburg and Manila offer the best value worldwide.

AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

FINE WINE

France dominates the market for fine wine.

It has seen significant price volatility since the financial crisis, with Bordeaux wines, which account for around 46% of worldwide wine sales by Sotheby's[35], falling significantly from all-time highs in 2010 and 2011, before recovering with a good harvest of 2015. However, over the past five years, price inflation for top Burgundy wines has outstripped the cost of their south-western neighbours almost three fold[36].

While luxury consumers are slowly becoming more adventurous in terms of their tastes for New World wines, our index focuses on a 'grand cru' from Bordeaux.

Prices for the broad fine wine market have fallen recently, following the announcement from the US that there would be a 25% import tariff on wines from the EU.

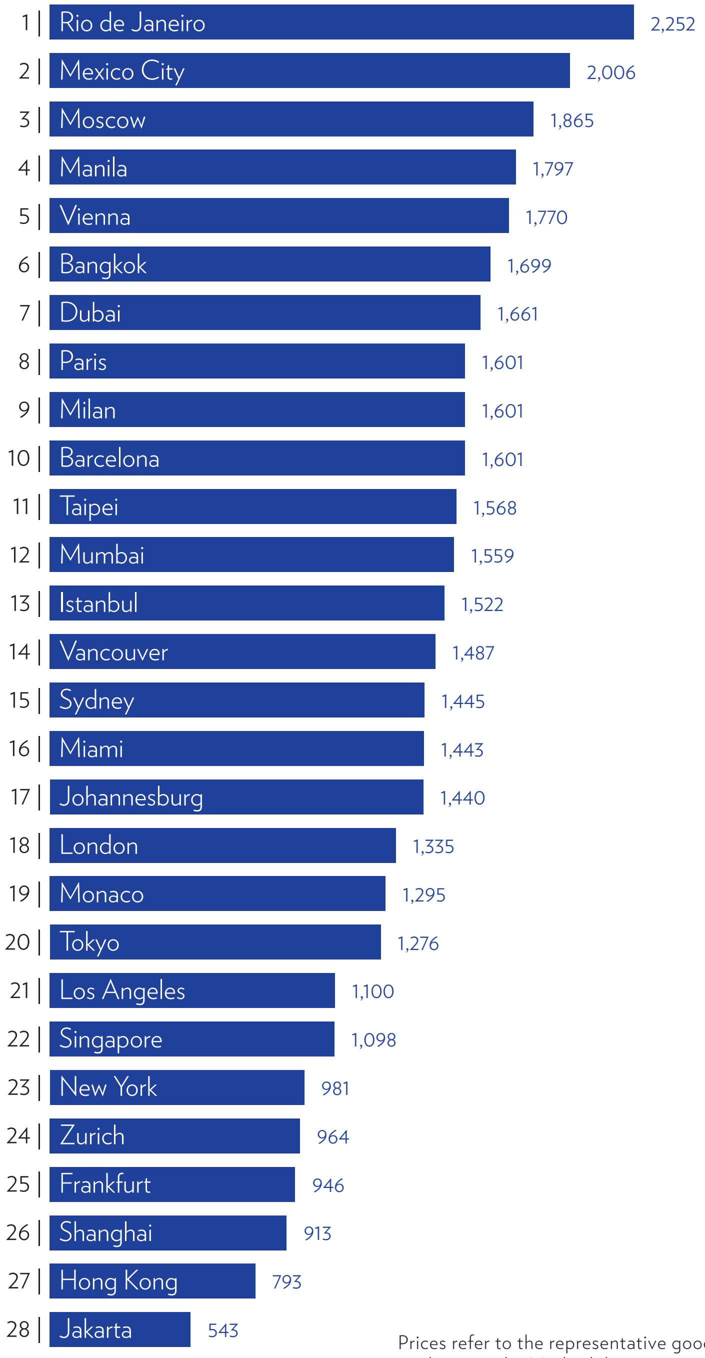
The cheapest places to buy a bottle of fine wine are Jakarta and Hong Kong. Aside from these outliers, and as one might expect, European cities tend to offer the best value.

To enjoy a classic French red, connoisseurs will pay the most in Rio de Janeiro, Mexico and Moscow.

AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

35 Sotheby's Wine Report, 2018
36 Liv-ex

WHISKY

Sales of whisky worldwide are expected to be worth USD 84 billion by 2025[37]. Whisky from Scotland, its spiritual home, accounts for about a quarter of the market.

EU countries take around a third of Scottish exports, while the US is the single largest importer. Sales in Asia-Pacific are expected to surpass USD 37 billion by 2025, as rapid urbanisation and an emerging middle-class are likely to fuel demand[38]. The region already accounts for six of the top 20 Scotch whisky export markets by volume.[39]

The growing popularity of whisky-based tourism plays a crucial role in supporting economic growth in several countries. The Scotch Whisky Association (SWA) reported a record 1.7 million visitors to whisky distilleries in 2017.

The rise of this tourism market has been relatively recent. Whisky brands are likely to position themselves as experiential luxuries, which implies that visitor centres and whisky tourism-related businesses could play a key part in engaging customers of the future.

Outlook

In the short term, a lack of grain in Scotland has pushed up whisky prices. At the same time, distillers are struggling to keep up with rising demand, especially from the developing world. Panic buying and hoarding by a new breed of investors further distort market conditions. Aged stocks are now in short supply. In the long term, healthy demand will underpin initiatives to broaden whisky's appeal. New brand launches, product twists plus the growing popularity of craft whisky offer further support.

Whisky as an investment

Consumers are increasingly seeing whisky as an alternative to traditional investments. As investment-grade whiskies are rare and access to them may be limited to exclusive partners, specialised investment 'clubs' have sprung up in response. Diageo, whose brands comprise a large percentage of the Scotch whisky market, operates the Johnnie Walker House, an invitation-only club. The club gives its clients access to the rarest blends and collectible Scotch whiskies under the Diageo banner. Once a client buys a cask, which may cost from GBP 200,000 to GBP 3 million, he owns the whisky and decides what to do – whether to age it further or bottle it for sale. All the profits then go to him. [40]

37 Global Markets Insights, Whisky market regional analysis, 2019–2025
38 Reuters
39 Scotch Whisky Association
40 The Straits Times, Whisky shortage? Don't panic, stocks are coming

Consulting company Rare Whisky 101 publishes a variety of market indices that track the overall rare whisky market. The Whisky Icon 100 Index generated an annual rate of return of under 21% between year-end 2008 and 1 January 2018.

The Japanese malt whisky market has been an even stronger performer, with the Japanese Icon 100 Index appreciating yearly by almost 28% from year-end 2014 to year-end 2017.

In August 2018, a rare bottle of 50-year old Yamazaki single malt whisky from Japan – a notable niche producer – was sold at auction for a record USD 343,000. It is the most expensive single bottle of Japanese whisky ever sold.

Global price comparison

The price of a bottle of Scotch on the shelf reflects not just the maker's and distributor's costs, including marketing, but typically a huge slug of government excise tax and other duties.

Whisky also attracts excise and sales taxes, like any alcohol. Sometimes this leads to unlikely distortions, with prices actually cheaper abroad than at source. While the UK's impending exit from the EU could upset whisky sales there, Japan and the EU signed a deal in 2018 to remove tariffs on traded goods that also include Scotch and Japanese whisky.

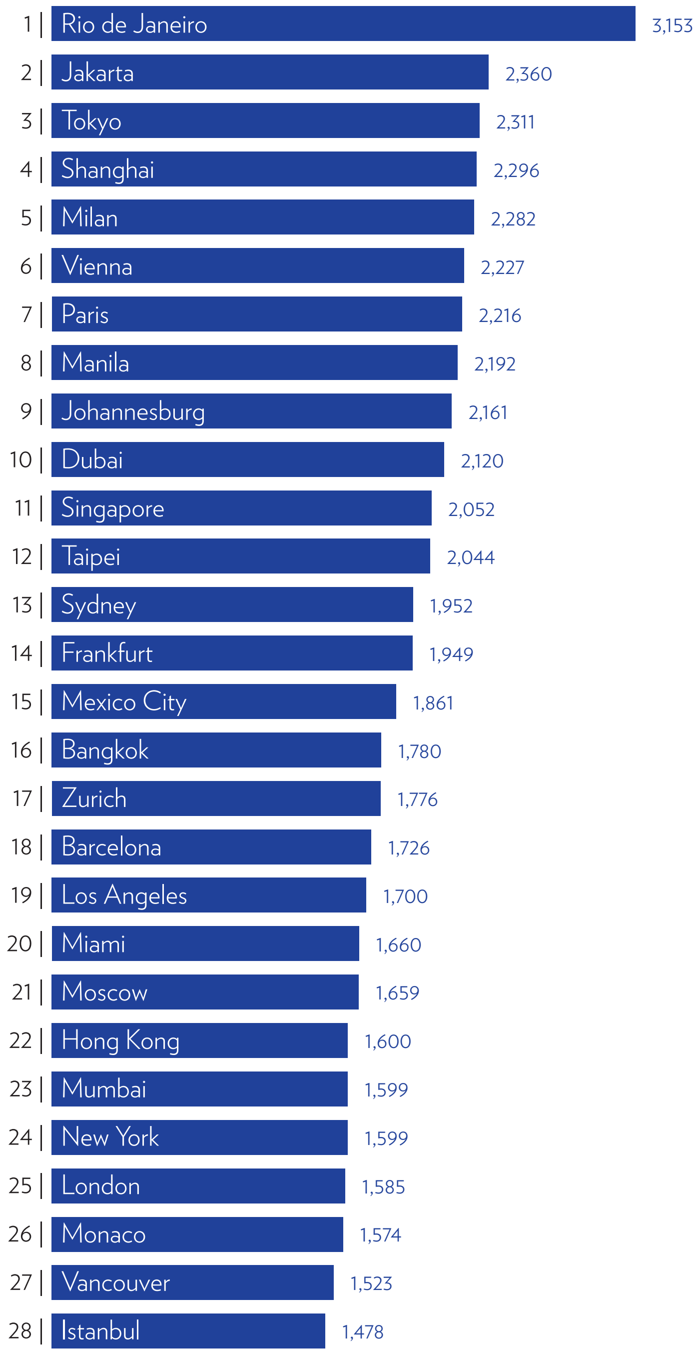
The most expensive cities for whisky are Rio de Janeiro, because of Brazil's high import duty on alcohol and bureaucratic regime, and Jakarta. The most price-competitive city is Istanbul.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



“We must rethink the concept of expensive or cheap.”

Mauro Colagreco, chef-owner of Mirazur

CONSCIOUS INSIGHT: FINE DINING

Gluten-free, dairy-free, sugar-free, plastic-free, meat-free… Today, foodies worldwide can enjoy a veritable smorgasbord of ‘healthier’ dishes in cafés, restaurants and shops, as our drive to eat more consciously gathers pace.

Healthier both for us and for our environment is the ubiquitous headline. For many, it is no longer palatable to ignore some of the ugly truths behind the provenance of what is on our plate and the harm its (often plastic) packaging is doing to our planet.

For fine dining chefs, nose-to-tail cooking – where little of an animal is wasted – is not a new concept. The challenge for them is how to balance customer expectations about what is on their plate with conscious consumerism. To bridge that gap, there is an increasing focus on local, ethically sourced produce that’s in season.

“We must rethink the concept of expensive or cheap,” according to chef-owner Mauro Colagreco of three-Michelin-starred restaurant Mirazur on the French Riviera. “Behind a cheap meal we can find a huge cost for the planet in terms of the resources available for this product to arrive on our plates. The origins and traceability of products are increasingly important. There needs to be quality and respect for the product and the people who work with it. It is the future of our planet that is at stake. I find that people are eager to find other ways to have a less devastating impact and to live in a more harmonious way with our planet.”

With this in mind, it is perhaps unsurprising that many people across the world are cutting down on meat and dairy consumption. Diets heavy on red meat have been linked to cancer, heart disease and diabetes. According to the World

Health Organization, "The strongest evidence for an association with colorectal cancer is eating red meat."

Separately, the livestock industry contributes significantly to greenhouse gas emissions. University of Oxford research indicates that raising livestock for meat, eggs and milk generates up to 15% of global greenhouse gas emissions, making it the second highest source of emissions and greater than all transportation combined.

And yet, despite the anti-meat backlash, global consumption is on the up due to urbanisation and population growth (at 4% CAGR – Compound Annual Growth Rate – between 1990–2018).

Chefs are quick to point out that meat is not always the greater evil. Let us not forget how much water it takes to grow avocados (around 230 litres per kilogram)[41]. "The main thing is to know the producer, the way he works, the respect he gives to his environment, the quality of his product," Chef Colagreco believes. "If we take a vegetable and it comes from an intensive culture, full of pesticides, with large machines and litres of gasoline to produce it, then the imprint for our planet and for our health is huge."

Where food comes from and how it reaches the table are becoming more important for both chefs and diners. But there is a potential disruptor that could revolutionise how we eat, whether it is at a luxury establishment, a corner café or at home. 'Meatless meat' – which tastes, smells and looks like the real thing – may vastly reduce our carbon footprint.

And it is already creating a virtuous cycle: as consumers become more health-focused and sustainability conscious, the public demand for alternative meat sources is soaring. The technology is only just getting started, but it is advancing rapidly.

Scientists have been able to mimic 'heme' (an iron-rich molecule that is found in every living plant and animal and causes meat to taste like meat) to make plants taste like meat. On the other hand, lab-grown cultured or 'clean' meat is being created by using animal stem cells. Not yet available for public consumption, so-called 'motherless meat' is being explored by many countries and should appear on our plates in a matter of years. The Bill and Melinda Gates Foundation has invested in this 'cellular agriculture' as one of the food technologies that could bring about real change in the developing world.

Will meat substitutes catch on among smart dining establishments? Fine dining has always been synonymous with not-so-palatably produced delicacies like foie gras and caviar. But the tide may be turning. Impossible Foods has partnered with a well-known chef in Asia, May Chow, to pioneer plant-based burgers. Perhaps the day may not be far off when amuse-bouche will be all beetroot and no beef – accompanied by vegan, organic wine.

For Italian-Argentine Mauro Colagreco, the era of indulgence when it comes to unsustainable ingredients is over. He believes that chefs across the world are developing their kitchens in greater dialogue with the local region and its producers.

"There is an approach to local and artisan products. Our menu is constantly changing. Nothing is fixed. We work with the products that arrive at the restaurant and as we work with local and artisanal producers, we must be flexible enough to be able to create within the fluctuations and rhythms of life."

Sustainability and transparency, it seems, are the main ingredients for today's progressive fine dining experiences. They are also trying to reduce waste – both food and packaging – driven by a more conscious clientele. That all adds up to less structured menus and more meat-free options. Whether tradition will be ditched altogether and meat-free menus can win Michelin stars is one for the future. For now, filet mignon with the moo is here to stay.

41 Water Footprint Network

FASHION

MEN’S SUIT

AFFORDABILITY BY REGION

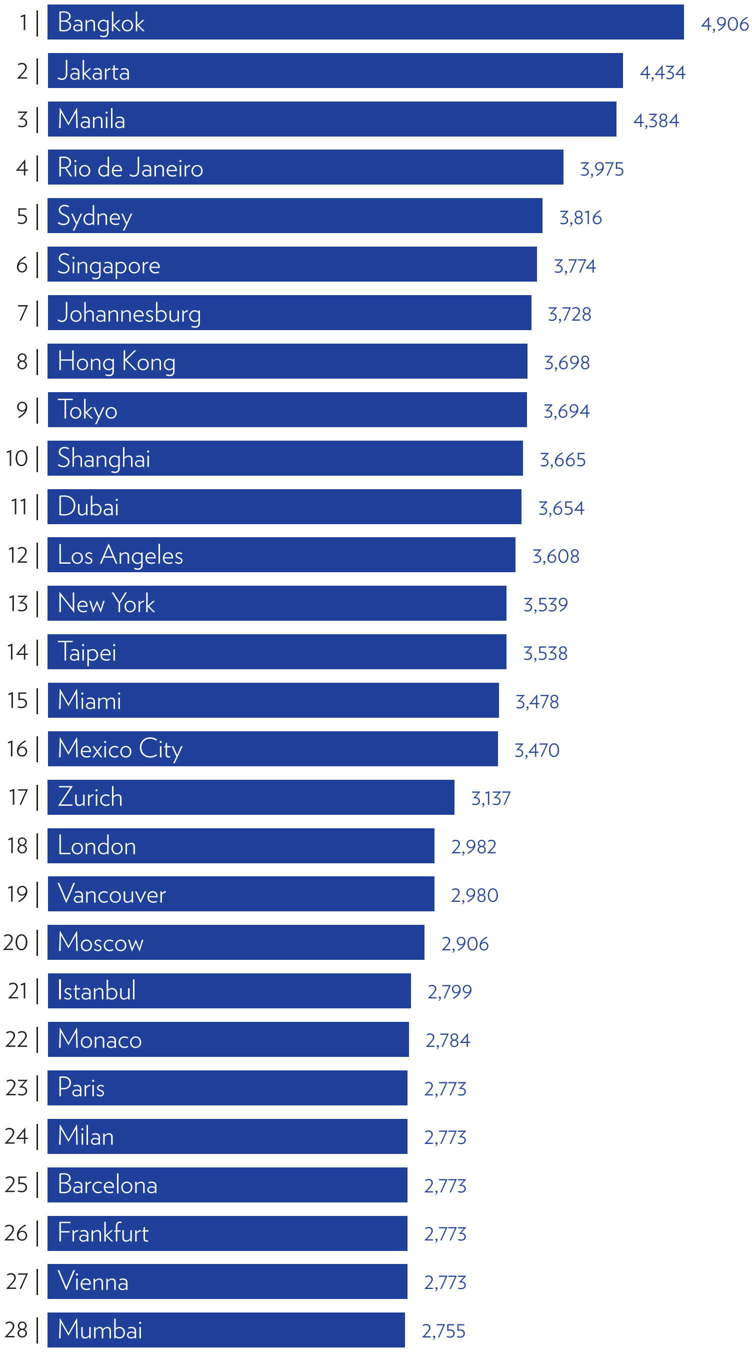
US dollar average | 2019

Quality tailoring costs ‘an arm and a leg’ in Bangkok, Jakarta and Manila.

These were the most expensive cities in our index during 2019. Mumbai is the outlier, offering the best deal on high-quality men’s suits.

However, compared with Asia and the Americas generally, EU cities offer the best value, in particular Paris, Milan, Barcelona, Frankfurt and Vienna.

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

LADIES' SHOES

As with men's suits, Europe offered the best value for designer ladies' shoes.

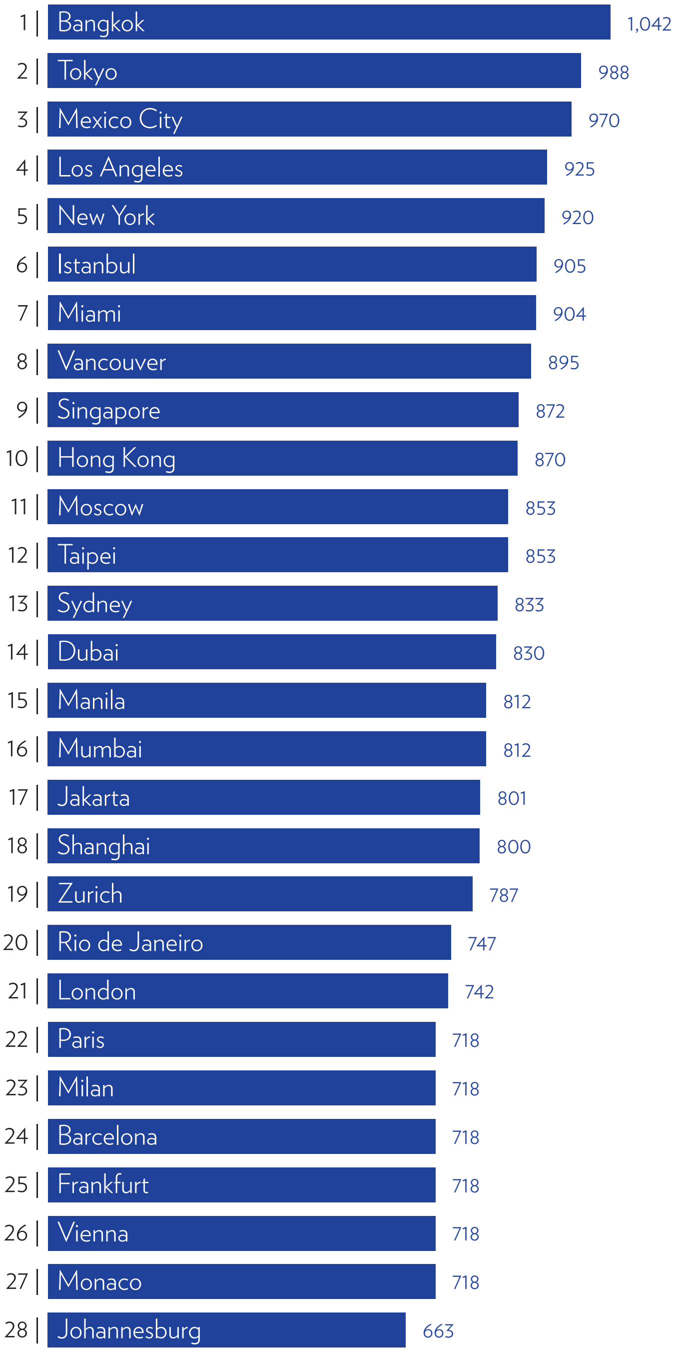
However, the best-value city worldwide is Johannesburg.

Only the particularly well-heeled would consider Bangkok, Tokyo or Mexico City as they are the most expensive cities for designer footwear.

AFFORDABILITY BY REGION

US dollar average | 2019

US Dollar | 2019

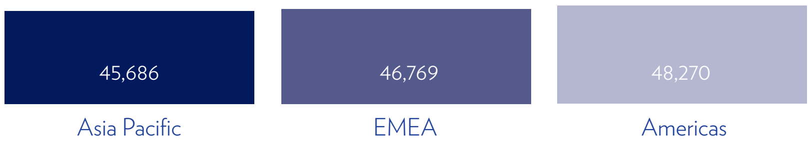


Prices refer to the representative goods or services as shown in the Methodology on pg 121

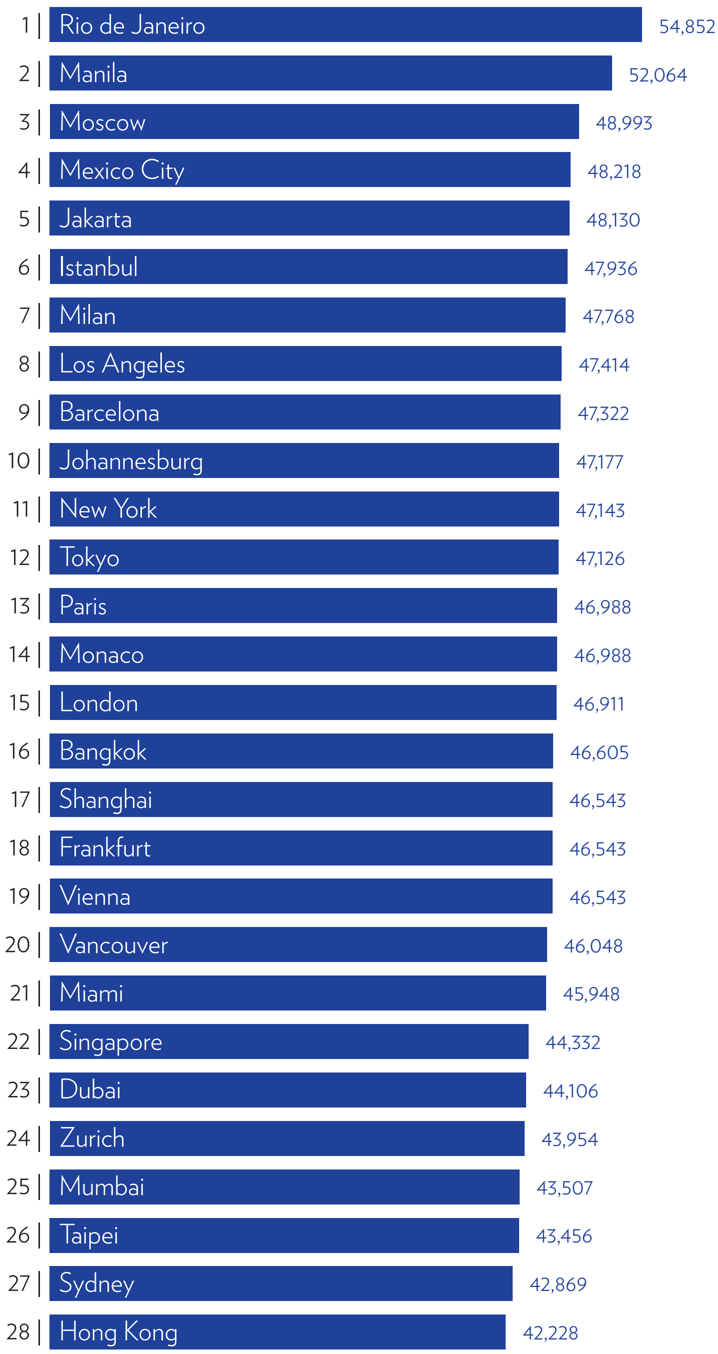
JEWELLERY

AFFORDABILITY BY REGION

US dollar average | 2019



US dollar | 2019



Emerging market cities tend to command the highest prices for jewellery, with Rio de Janeiro, Manila and Moscow the most expensive cities.

To a large degree, the disparity in prices is down to local taxes. In Rio de Janiero, taxes on jewellery can be double North American or European equivalents. Meanwhile Sydney, ranked 27th globally, is one of the better value destinations, due to lower taxes.

Other eastern cities, such as Hong Kong, Taipei, as well as Mumbai and Dubai, offer good relative value. For European shoppers, Zurich and Frankfurt offer the best-value locations.

The global luxury jewellery market is worth about USD 13 billion and is projected to expand at a compound annual growth rate of 3.5% between 2019 and 2023[42]. China, Japan and India currently have a combined market of USD 10.1 billion, and Asia Pacific is expected to be the largest and fastest-growing regional market[43].

The US is currently the second highest volume destination, with a market size of USD 3.9 billion in 2019, followed by Germany's USD 1.7 billion market[44]. Increasing consumer preference for branded jewellery is also likely to contribute to the product demand. Consumers are willing to spend more on branded and luxury jewellery to create their own style statement.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

42, 43, 44 Statista Consumer Market Outlook – Luxury Goods Report 2019 – Luxury Watches & Jewelry

LADIES' HANDBAGS

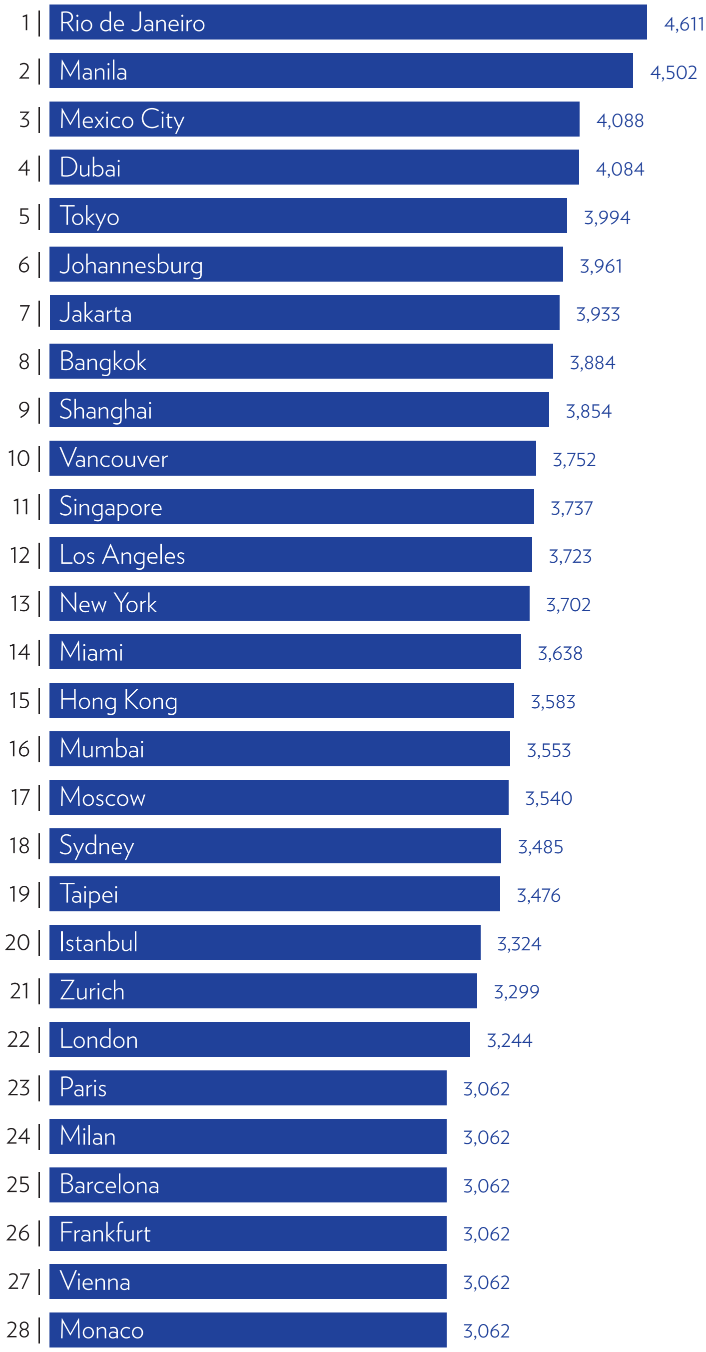
Europe is the most affordable place to purchase a luxury handbag.

Within Europe, Paris, Milan, Barcelona, Frankfurt, Vienna and Monaco, offer compelling value, while London and Zurich are also affordable. Asia is more expensive, with Manila leading the way. Meanwhile, local luxury goods taxes across many parts of the Americas make this the more expensive region, with Rio de Janeiro in first place.

AFFORDABILITY BY REGION

US dollar average | 2019

US Dollar | 2019



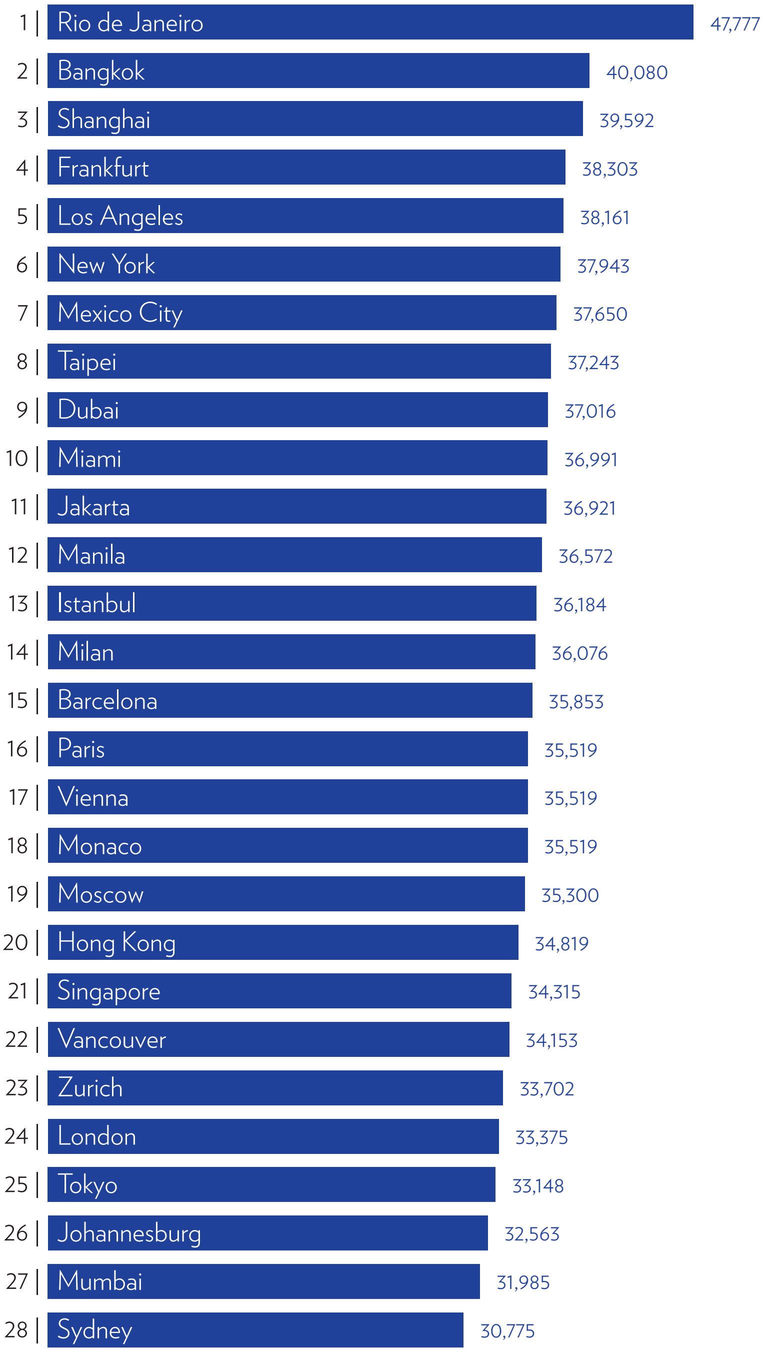
Prices refer to the representative goods or services as shown in the Methodology on pg 121

WATCHES

AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



Rio de Janeiro, Bangkok and Shanghai are poor value for watches and the Americas are expensive overall.

There was little to separate Asia and Europe in the luxury watch market in 2019; Sydney, Mumbai and Johannesburg offered the best value.

Revenues for the global premium watch market amounted to USD 30.3 million in 2019, and is projected to grow at about 1.9% per annum, with China constituting about a third of the global demand[45]. Most of the industry continues to be offline, operating through independent retailers and department stores.

The trend for experiential luxury has infected the sector, with some brands aiming to open private members clubs to build long-term relationships.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

45 Statista Consumer Market Outlook – Luxury Goods Report 2019 – Luxury Watches & Jewelry

"...In September 2019, we became entirely carbon neutral in view of the climate crisis the world is facing."

Marco Bizzarri, President and CEO of Gucci

CONSCIOUS INSIGHT: FASHION

The fashion industry is notorious for its massive waste problem. According to The New York Times, nearly three-fifths of clothing ends up in incinerators or landfills within a year of being produced.

Apart from this, the US Environmental Protection Agency found that there were 15.1 million tons of textile waste, of which 12.8 million were discarded completely, while the average American throws away 32 kilograms of clothing and other textiles each year. And yet three-quarters of consumers view sustainability as important.

As our collective awareness of the negative impact of the fashion industry grows, it is urging more brands to find new solutions. Cue upcycling – the concept of using pre-existing clothing, accessories or other items to make new garments. In this way, deadstock (ie unsold goods) or partly used fabrics can get another life rather than go to waste, thus creating a virtuous circle. Making a single cotton T-shirt requires over 700 gallons of water, whereas using a pre-existing T-shirt to make something new requires nearly no water. In addition, upcycling can divert some of the 85% of textile waste that ends up in landfills[46].

46 WorldWildlife.org

A cheaper, unique wardrobe

Upcycling appears inexpensive since used or pre-existing materials typically cost a fraction of newly made materials and textiles. Yet the missing piece in the process is creativity. It requires imagination to see the potential in existing materials and make something new and beautiful that customers will want.

Fancy a handbag made from a decommissioned fire hose, a boat sail or an old coffee sack? UK-based Elvis & Kresse is the place to go, with much of their profits going to charity. Meanwhile, Los Angeles-based Reformation focuses on rescued 'deadstock fabric' to make sophisticated fabrics and even wedding dresses.

By addressing the environmental and societal fallout of its current practices, the fashion industry could save the global economy USD 160 billion each year[47] — that is more than the gross domestic product of the vast majority of the world's countries.

However, the move towards conscious fashion is still in its infancy. According to a Boston Consulting Group (BCG) survey, sustainability considerations are not yet powerful enough to be the most important purchasing criterion. For 7% of consumers, sustainability is the key purchasing criterion, but 23% prioritise high quality; 17% favour looking successful and 16% receiving good value for money.

Consumers nevertheless expect brands to be concerned about environmental, social and ethical issues, and to act accordingly. Sustainability considerations are seen as a prerequisite rather than a driver of purchasing decisions.

The proportion of fashion companies for whom sustainability targets are a "guiding principle" in most decisions has gone up from 34% in 2017 to 52% in 2018[48]. Despite improvements, the fashion industry is still far from sustainable. Indeed, BCG's study into the fashion industry suggests that fashion companies are not implementing sustainable solutions fast enough to counterbalance negative environmental and social impacts of the rapidly growing fashion industry[49].

From the top

However, some luxury brands are embedding ethical practice into their ethos. "What truly differentiates Gucci is its values of creativity, innovation, inclusivity and responsibility, which are brought to life through our distinctive corporate culture that inspires our 19,000 employees around the world," says the firm's CEO Marco Bizzarri.

In October 2017, the EUR 10 billion luxury brand launched a ten-year 'Culture of Purpose' sustainability plan which is designed to make it responsible towards the environment and to its communities. "We immediately announced the end of our use of fur, in favour of alternatives and just last month we became entirely carbon neutral in view of the climate crisis the world is facing," says Mr Bizzarri.

47 Boston Consulting Group, Global Fashion Agenda
48 https://www.ozy.com/fast-forward/landfill-to-luxury-will-fashion-cash-in-on-160-billion-yearly-upcycle/92450
49 BCG – Pulse of the Fashion Industry 2019 – http://media-publications.bcg.com/france/Pulse-of-the-Fashion-Industry2019.pdf

Gender equality has always been at the top of the firm's agenda as seen through its long-running Chime for Change campaign for girls' and women's empowerment. In addition, it has a long-term plan to further embed diversity within its organisation and processes including a range of initiatives that its newly appointed Director of Diversity, Equity and Inclusion Renée E. Tirado is overseeing. In addition, its 'Gucci Artlab' product innovation centre is investigating more ways it can produce products more sustainably in order to cater to the conscious luxury consumer.

"We are committed to the objective of moving towards a circular economy, managing our production, distribution and inventory management accordingly, while designing products that are not considered to be seasonal," Mr Bizzarri adds.

> "Inclusivity, hi-low, sense of purpose and sustainability are three factors that are key to people, at this time, especially millennials and Gen Z."

Marco Bizzarri, President and CEO of Gucci

FASHION AGENDA

The Global Fashion Agenda – CEO Agenda 2019[50] has laid out a number of crucial sustainability priorities. These are:

- Increasing supply chain traceability by tracing tier-one and tier-two manufacturers
- Combating climate change by implementing measures that reduce greenhouse gas emissions
- Improving efficient use of water, energy and chemicals by implementing efficiency programmes in processing stages
- Deepening efforts to establish respectful and secure work environments by upholding standards for the respect of universal human rights for all people employed along the value chain
- Sustainable material mix
- Circular fashion system
- Promotion of better wage systems
- Fourth industrial revolution

Conscious fashion themes

As well as being more sustainable per se, luxury brands are also adopting modern conscious causes to inspire their ranges and approaches. According to Mr Bizzarri, “Inclusivity, hi-low, sense of purpose and sustainability are three factors that are key to people, at this time, especially millennials and Gen Z.”

Inclusivity covers diversity and cross-generational fashion. Sense of purpose refers to the values that make brands who they are. “Everything we do at Gucci,” Mr Bizzarri says, “is for a reason: our brand, and our people, are committed agents of social and environmental change. We consider these values, just like equality, to be non-negotiable. Millennials understand commitment and they can also spot a lack of authenticity and commitment.” And on sustainability, Mr Bizzarri says, “In the era of ‘March for our Lives’ and ‘Extinction Rebellion’, the expectation is that brands will play a proactive role in being responsible and accountable.”

Personalisation and customisation are also major themes in fashion, as elsewhere in the luxury market. For example, Gucci runs two programmes: DIY and Made To Order, as well as a range of special brand experiences “for our best customers”, that engages them deeply in the brand’s storytelling.

Gucci has recently announced that it is entirely Carbon Neutral and the latest Gucci’s Fashion Week show, organised in September in Milan, was its first carbon-neutral fashion show.

“Gucci is making sustainability an intrinsic part of its business,” adds Mr Bizzarri. “We are establishing a new pathway to carbon neutrality, leading the way for corporations to be responsible and accountable for all the emissions across their supply chain.” The company is, in fact, accounting for all the greenhouse gas (GHG) emissions the company generates, offsetting all remaining GHG emissions annually from its own operations and the entire supply chain through four critically important REDD+1 projects that support forest conservation around the world.

There’s more. In November, Gucci launched a CEO Carbon Neutral Challenge inviting CEOs from all the industries to join a more environmental savvy approach: “I believe that collective action is imperative if we are to help create a future in which society can thrive and business can succeed, while nature is restored and protected. I sincerely hope other companies from different industries will join us.”

The luxury fashion market may be poised for a structural consolidation, which could see a continued polarisation between winners and losers. Gucci, for one, remains optimistic, perhaps made easier following three years of exponential growth that has seen its revenues triple.

China will clearly be an engine of growth while North America will also remain a pivotal market for the winners, who will also have an eye on the luxury consumers of tomorrow, in Latin America, India and Africa in the longer term. These regions are also major suppliers to the world’s fashion industry and demand for more sustainable practices through the supply chain could see an improvement in working conditions. This could also drive more ecologically sound practices in the production of raw materials such as cotton, wool and rubber.

FAMILY

BOARDING SCHOOL

For a few items in our index, there is no comparable global alternative, and boarding-school fees at Eton College in England is one such item.

Private school fees in the UK have grown about 550% over 25 years, outstripping broader inflation in every year[51]. The price increase was driven, in part, by strong international interest, particularly from Asia.

Foreign students now represent about a tenth of all UK private school pupils[52].

The trend has also proved self-fulfilling as private schools have invested the higher fees into better facilities, creating elite teaching environments. Several British private schools have also set up international branches to cater to international demand closer to the source.

A year's full boarding fees at Eton in 2019 amounted to GBP 42,500. The school, established by Henry VI in 1440, however, is not just for the well-off. In 2018/2019, 255 pupils were receiving a means-tested bursary, averaging a 67% reduction in fees. In addition, 90 students pay no fees at all[53].

UNIVERSITY

Another item that offers no portable international alternative is a stint at an elite university for an executive MBA degree.

Our index is an average of Harvard's and Oxford's programmes.

The total cost of attendance has steadily risen in recent years, reaching USD 108,789 in this year's Lifestyle Index.

If this sounds steep, consider that Harvard graduates earn a median annual salary of more than USD 200,000, and USD 160,000 in their first year of working.

Greater demand from jobseekers looking to outshine the competition is partly the cause of this rise. According to the National Association of Colleges and Employers, master's degree holders are projected to earn approximately USD 20,000 more than bachelor's degree holders.

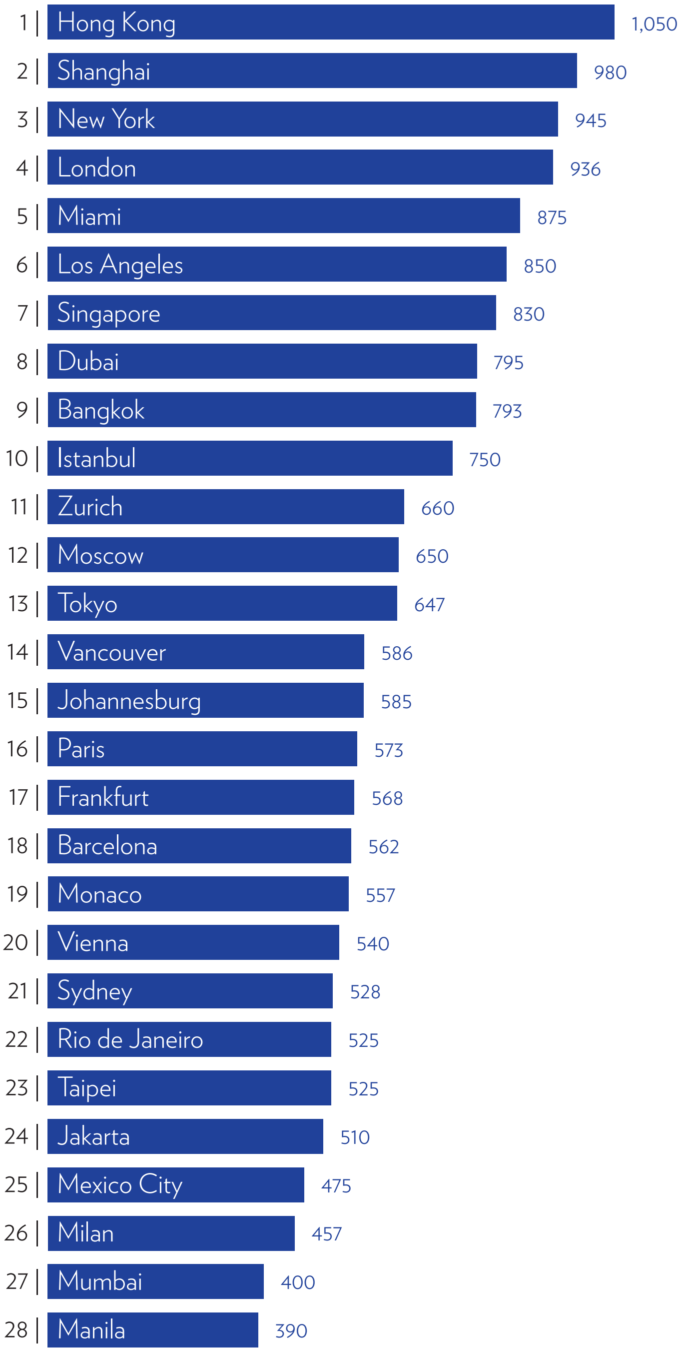
51 Independent Schools Council Annual Census
52 Independent Schools Council 2019 Annual Report
53 Eton College

LAWYERS

AFFORDABILITY BY REGION

US dollar average | 2019

US Dollar | 2019



Lawyers charge a premium in the global financial cities of Hong Kong, Shanghai, New York and London respectively.

The best-value legal advice can be accessed in Manila, Mumbai and Milan. Regionally, EMEA offers the best value.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

WEDDINGS

Cities in the US were far and away the most expensive places to tie the knot in 2019. High starting prices are compounded by heavy taxes and service charges.

EMEA and Asia offered comparative value, particularly in Mumbai, Dubai and Bangkok respectively.

Hong Kong and Tokyo are Asia's expensive outliers for both hotels and luxury nuptial celebrations.

The average expenditure on wedding celebrations is thought to have increased exponentially in recent years – not necessarily due to price inflation of individual components, but because of a greater propensity to have more extravagance and more personalisation. For instance, in the US, the amount spent on weddings has jumped from USD 27,000 to USD 44,000 since 2017, with the amount spent on flowers doubling[54].

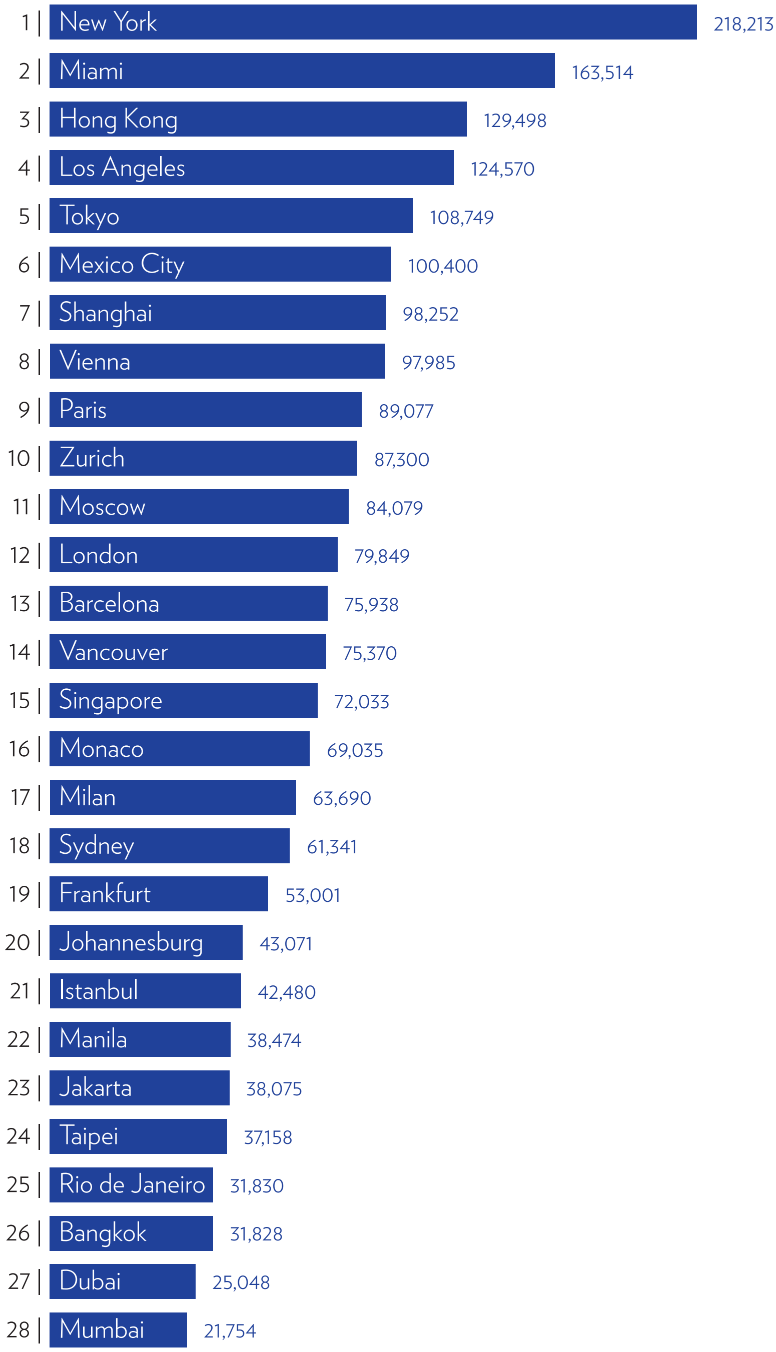
In the UK, a greater focus on personalisation, sustainability and organic produce has contributed to total expenditure rising very fast.

Meanwhile, in Singapore, rising real incomes have led to a rise in demand for more extravagant banquets. Higher food costs and wages in the hospitality and food services industries have also contributed to an increase in luxury wedding prices.

AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

54 Brides

PLANNING FOR FUTURE GENERATIONS

Wealth in the twenty-first century is subject to far greater complexity than ever before. To develop an effective wealth plan requires a holistic understanding of an individual's and family's position, priorities and lifestyle, framed within a global context and executed using local expertise.

"Complexity is increasing for a number of reasons," says Mr Roger Stutz, Head of Wealth Planning at Julius Baer. "If you have wealth and family across the globe, you must ensure you comply with all jurisdictions from a legal, tax and reporting perspective. Manoeuvring financial and succession plans in these environments is becoming far more complex than 20 years ago."

In addition to these more complex environments, wealthy individuals are also more mobile and more willing to change their settings and their plans at a much faster pace, which in turn also increases the complexity of ensuring their wealth situation properly reflects their life goals.

Decisions on residency can change: driven by schooling and education; lifestyle considerations such as climate; business requirements – which are increasingly global in nature – as well as ownership of investments and property in different jurisdictions. On top of this, there are the mundane matters of taxation and relative cost-of-living.

As a result of these factors, the centre of people's lives and consequently their wealth, is spread much more internationally than in the past. How then, can advisers provide the best possible solutions and advice in such a complex and geographically disparate domain?

"First, our coverage has to be global – we need to understand what makes our clients' worlds 'tick'," Mr Stutz explains. "We must then be able to mould this insight within the context of a specific client situation and, finally, we must make it work, on-the-ground, in local jurisdictions. Having a plan is one thing, but we must help our clients to make it work in reality."

"It takes time to build trust. Families need to see that we have their interests at heart."

Roger Stutz, Head of Wealth Planning at Julius Baer

He continues, "We need to know a lot about our clients, so closeness is very important. It takes time to build trust. Families need to see that we have their interests at heart." Typically, the best solutions are those that work, not just as short-term wins, but over the long-term.

As a practical matter, tailored advice across multiple disciplines and domains requires teamwork and pragmatism.

"Even though Julius Baer is a significant size, it's impossible for any organisation to have internal specialists for every location close to the clients' domicile — but it is important that clients have access to experts that are culturally and also physically close," Mr Stutz says. "Instead, we have internal specialists to understand the specifics of a country, and then we work with hundreds of external partners we have identified, quality-checked and whom we trust, or with advisors our clients have been relying on."

"Such virtual teams are the best way to ensure the specific needs of a client are taken care of and solutions are implemented effectively," Mr Stutz adds. In fact, with the advent of digital planning, this approach of combining personal relationship management with local specialist knowledge can represent an attractive alternative to costly traditional family office set-ups.

Generations

Naturally, wealth planning priorities differ between generations. The older generation tends to be more focused on wealth preservation, growth and peace-of-mind. The younger generation may initially want to understand what the wealth situation looks like – sometimes they are not fully informed. Generally, Mr Stutz finds that millennials tend to be very well prepared and have great plans and ideas, and want to be active with different projects.

He says, "You tend to see young generations doing a lot of groundwork by using digital tools to understand wealth planning and also to compare providers. They also feel comfortable using online applications and calculators." In addition, younger clients are typically more inclined to use technology to communicate, rather than focus on the traditional physical meeting.

Another trend that is associated with the younger generations, but is, according to Mr Stutz, notable across all generations, is a focus on philanthropy and responsible investing. Charitable donations have long been a feature of wealth planning. A more recent trend is that clients want to know that their money is already doing good while being invested, and that it is being invested responsibly.

As a result, there are a rapidly growing number of ways to introduce a philanthropic or ethical dimension to wealth planning. "Some clients will have personal interests and will also wish to contribute their own time, while others prefer to investigate investments through responsible investment labels such as ESG (Environmental, Social and Corporate Governance)."

Somewhere between having to adapt to the ever-changing environment and keeping pace with the demands as assets shift from one generation to another, "therein lies the challenge that stimulates" muses Mr. Stutz. With decades of experience, the Head of Wealth Planning is convinced that despite life's complexities, the secret to successful planning is simple, namely "the open and frequent communication between family members and their advisors".

WELLNESS

BEAUTY SERVICES

AFFORDABILITY BY REGION

US dollar average | 2019

EMEA is notably expensive for beauty services, with Milan and Paris the most expensive cities in the world during 2019. This feeds into a global trend for medical tourism.

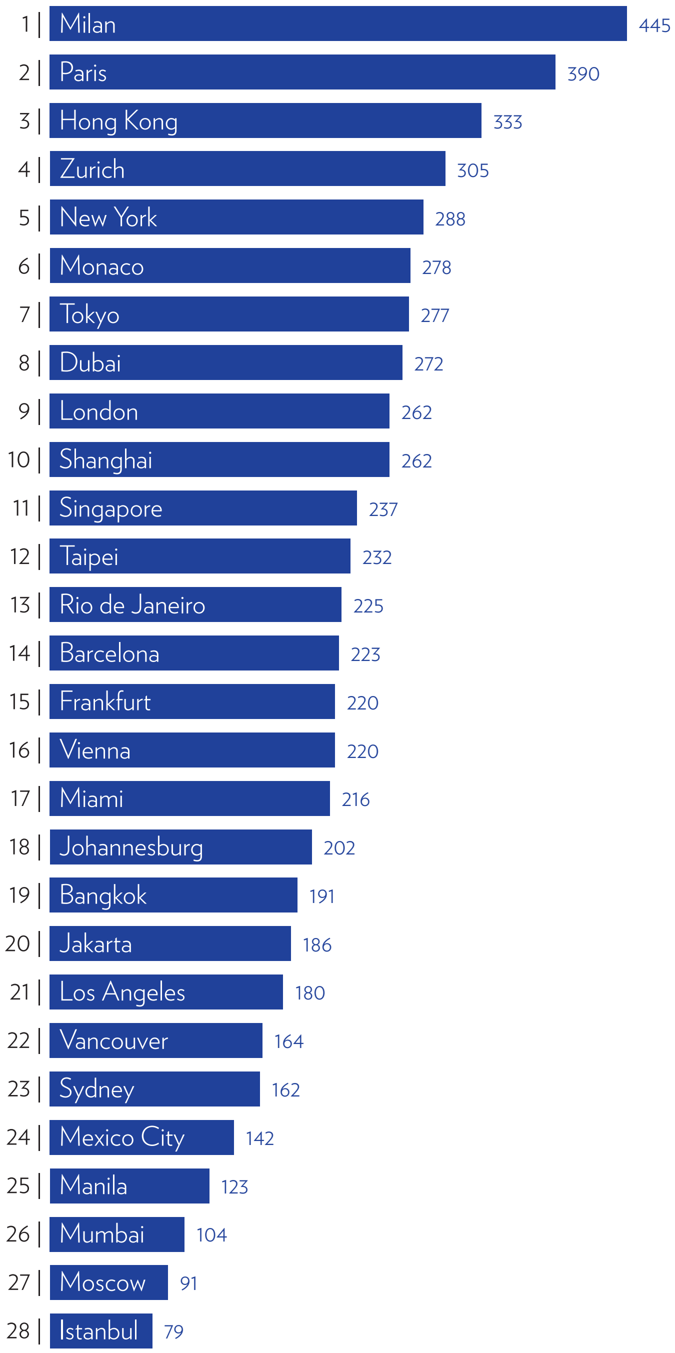
Europeans tend to visit Istanbul, which offers the second-best value for beauty services in the world. An approximate 700,000 medical tourists flock to Turkey each year[55] to seek quality low-cost medical treatment just a stone's throw away from Central Europe.

Asia offers good value, led by Mumbai, Manila, Jakarta and Bangkok. Indeed, Thailand is a strong player in the international medical tourism market, with its combination of high quality and low cost.

The Americas offers the best overall value, with Mexico City, Vancouver and even Los Angeles providing comparatively low prices.

In the Americas, Brazilian cosmetic surgeons performed more surgeries than anywhere else per capita[56]. Most of Brazil's tourism is from its neighbouring countries, in contrast to Asian destinations, which can claim to be hubs for global luxury medical tourists.

US dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

55 Istanbul International Health Tourism Association
56 State of Plastic Surgery in Brazil, Bernado N. Batista

LASIK

Perhaps unsurprisingly, laser eye surgery is most expensive carried out in the affluent western metropolises of London, New York and Sydney.

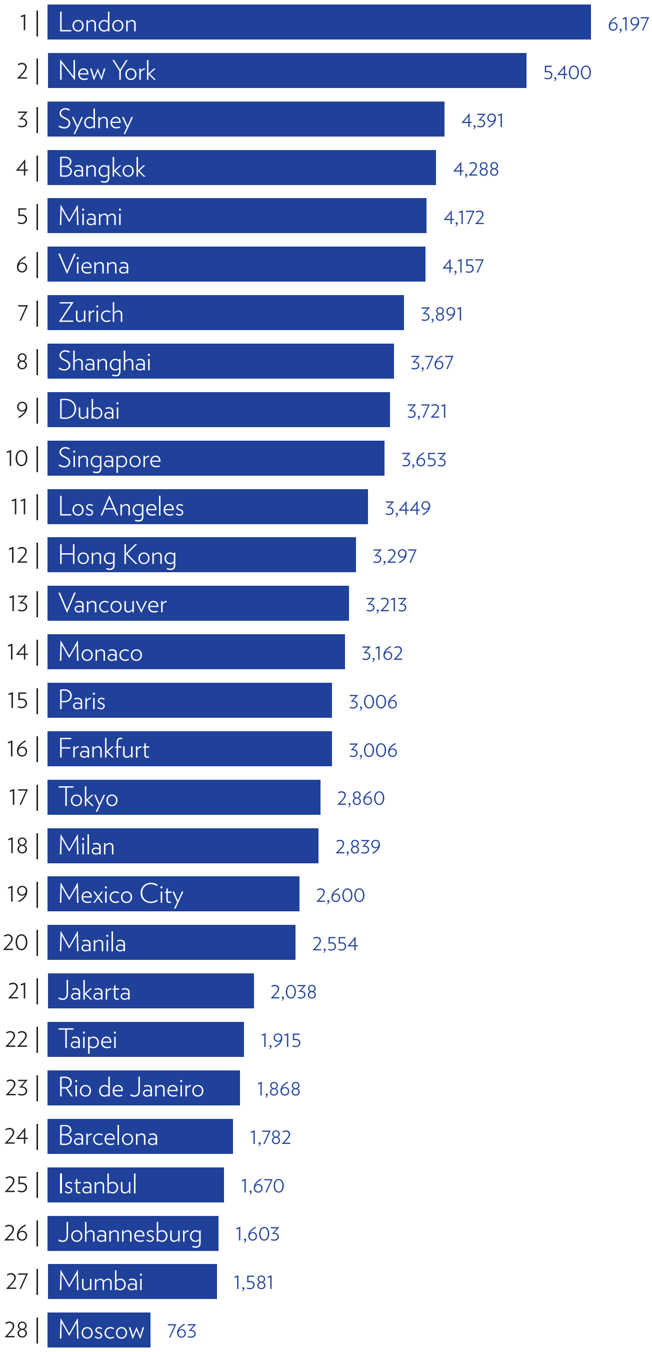
The best value is found in Moscow, Mumbai and Johannesburg.

Established centres of wellness are also set to benefit from the growth in demand. For instance, Lasik surgery prices in Bangkok have risen 10% over the past year[57]. This rise in prices could be a result of the ageing Thai population and an influx of medical tourists from across Asia.

AFFORDABILITY BY REGION

US dollar average | 2019

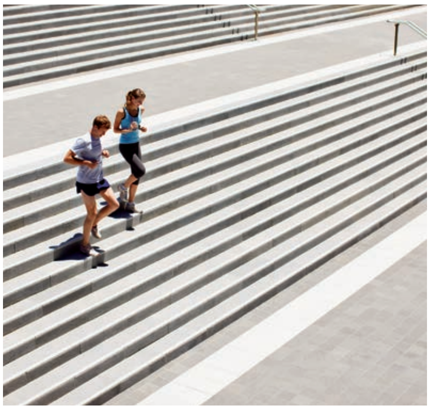
US Dollar | 2019



Prices refer to the representative goods or services as shown in the Methodology on pg 121

57 Julius Baer

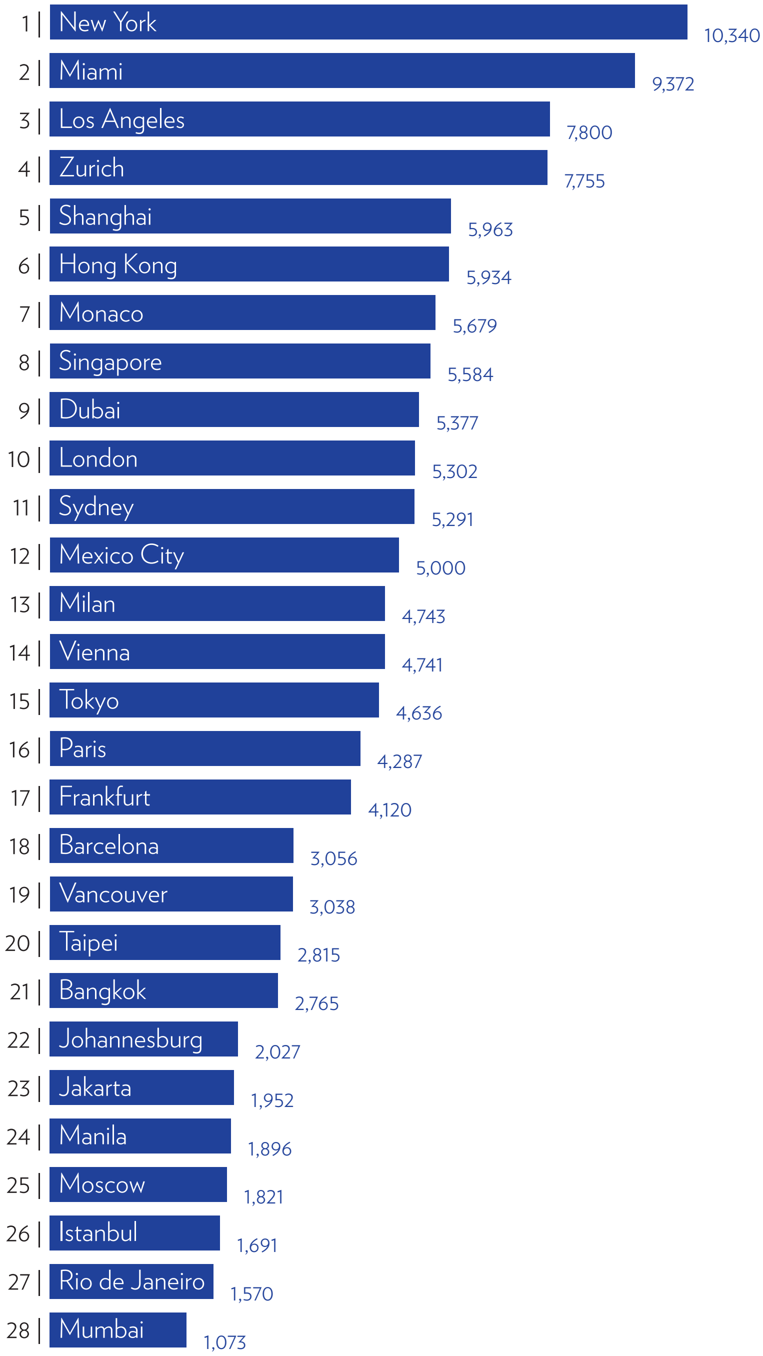
PERSONAL TRAINER



AFFORDABILITY BY REGION

US dollar average | 2019

US dollar | 2019



Personal trainers charged a premium in New York, Los Angeles and body - conscious Miami in 2019.

Mumbai again achieved the accolade of best-value city, followed by Rio de Janeiro and Istanbul.

Regionally, there is a very large discrepancy in the price of fitness support, with the Americas by far the most expensive, Europe reasonable, and Asia cost-competitive.

Prices refer to the representative goods or services as shown in the Methodology on pg 121

WELLNESS

The wellness industry accounts for around 5% of global economic output, by some estimates[58], and encompasses services such as personal care, beauty and anti-ageing, healthy eating, wellness tourism, fitness, spas and workplace wellness.

An estimated 800 million wellness trips are made every year. Typically, these primary wellness breaks command a 53% premium in price over typical tourism[59].

As a result of this trend, the traditional tourism industry across the world is responding rapidly. The Middle East has a long experience of providing add-on wellness services to travellers, but is now launching dedicated wellness services, including the Gulf's first holistic wellness retreat/destination spa at the Retreat Palm Dubai and the Zulal Wellness Resort by Chiva-Som, under construction in Qatar.

In North America, the industry is bringing wellness to city dwellers. Major luxury wellness lifestyle brands expanding from destination resorts into metropolitan areas and luxury hotel brands have created wellness programmes to rival dedicated spa resorts.

Meanwhile, the 'spafari', high-end safari lodges in sub-Saharan Africa that offer spa services, are proving to be increasingly popular with wellness tourists. While the concept is not completely new, many destinations have shifted from purely pampering, to incorporating treatments/therapies rooted in African traditions in a new holistic approach to wellness.

58, 59 Global Wellness Economy Monitor – October 2018

"It was one of my father's passions to share wellness with his relatives, loved ones and close friends. It grew into the idea of a fully-fledged wellness destination, which he experienced travelling around Europe."

Krip Rojanastien

In Asia, China and India are the two fastest-growing wellness tourism markets globally. Rising global interest in age-old therapies such as Ayurveda and Traditional Chinese Medicine, and strong government support and promotion are set to keep growth robust in the years to come.

Wellness interview: Chiva-Som

One of the most prestigious health and wellness resorts in Thailand is Chiva-Som, situated in the resort town of Hua Hin about 200 kilometres southwest of Bangkok. It was founded by Boonchu Rojanastien some 25 years ago when he decided to turn his beach house into a wellness destination. His son, Krip, is now chairman of Chiva-Som and he told us of the inspiration behind the resort.

"It was one of my father's passions to share wellness with his relatives, loved ones and close friends," says Mr Krip Rojanastien. "It grew into the idea of a full-fledged wellness destination, which he experienced travelling around Europe. He realised there was an opportunity to combine Western diagnostic skills with Eastern therapies.

Chiva-Som was an early mover in the wellness industry, which at the time was simply called 'healthy living', and it helped spark something new. "The wellness traditions come from many places across the world, but our philosophy is to bring wellness to the fore and make people realise that wellness is something that is not just a quick fix," explains Mr Rojanastien. "It's not like medication and the symptom disappears, and who knows when it will come back. Wellness is a lifestyle."

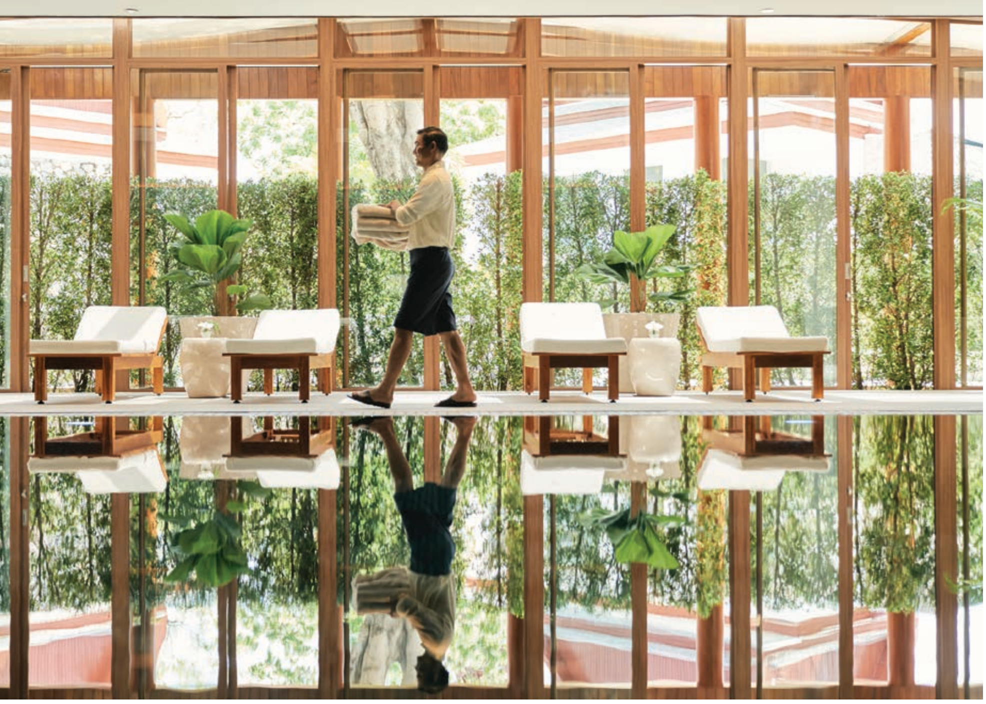
Chiva-Som's guests are truly international, from Europe, the Middle East, Australia, Asia and Africa, and more than half of them are repeat customers. The average guest has been typically in the mid-40s, but this is changing. Increasingly, people in their 20s come, often alone and with a distinct focus. Mr Rojanastien says they become "completely engrossed in the activities and programmes, and pursuing their goals." At the other end of the spectrum, the resort sees more older people, too, in their 70s and 80s. The experience is not solitary, but one of community and companionship – an experience shared with like-minded people.

On offer are traditional therapies and new technologies. "These can quantify results," says Mr Rojanastien. "How much more flexibility you have in your muscles and tendons and posture, weight loss, drop in blood pressure. We combine traditional therapies with the latest technologies."

Mr Rojanastien attributes the success of Chiva-Som, and Thailand more broadly, to its welcoming nature, its sincerity and care. "For wellness, care and sincerity top the bill. If someone asks you for advice, they must trust that you are doing it in their best interest and not just trying to make a quick buck."

While Chiva-Som offers a premium experience, wellness does not always have to be expensive. He adds, "You can live a good wellness lifestyle very reasonably, by eating right, staying balanced, being active, having sufficient rest and recovery."

Chiva-Som is extremely conscious of its wider impact on society, ecology and the environment, to the extent that sustainability is part of its DNA.



Bathing Pavilion at Chiva-Som

Mr Rojanastien says, "We do it without even thinking about it. Because if we have to think about it, it's just a project, when it actually should be a way of life."

Sustainability is integral to a well-rounded wellness experience. "You can't help someone achieve personal wellness without environmental wellness, or if he is in a toxic environment," he adds.

Within Chiva-Som there is waste-water treatment, recycling, alternative energy and efficiency, and organic gardens for the kitchen.

This conscientiousness extends outside the resort. "We want to contribute to the environment, quality of life, and engage with the community. We send out teams to teach local school children about nutrition, hygiene, fitness, and we are growing a mangrove forest about 2.5 kilometres from the resort."

Another example is a patch of neglected land in the heart of the town of Hua Hin, owned by a local temple. Chiva-Som approached the temple with the plan to create a green area for the city. It then sought approval from the local government, before undertaking a referendum of local people. All parties were fully supportive and empowered them to manage the seven-acre area. It is now the home of 5,000 trees, with a full ecosystem of different species of plants and birds. It is also a place where local inhabitants can come and enjoy with their families free of charge. "The children can experience and understand the ecosystem and understand how fragile the system is, and share that knowledge with their community," says Mr Rojanastien.

While Chiva-Som is marketing its offering internationally, its approach is mindful and meticulous. Mr Rojanastien explains, "We think there is an optimal size for every business. Resources are so precious, we must nurture and protect them. If we have to cut down trees to build a resort, how do we achieve sustainability? If we have to choose between quality and scale, we will choose quality without a doubt."

For all his successes, Mr Rojanastien says he is most proud of bringing "holistic wellness to the fore among the general population.

"It is a lifestyle, not a temporary solution. It is something you must commit to without even thinking. Staying with it is key. As our founder said 'Above all, enjoy your life'."

"It is a lifestyle, not a temporary solution. It is something you must commit to without even thinking. Staying with it is key. As our founder said, 'Above all, enjoy your life' ."

Krip Rojanastien

THE CITIES

ASIA

BANGKOK

Still attractive as a luxury shopping destination.

The most expensive city globally for apparel, and expensive for fine dining and fine wine. Other portable goods, such as watches, jewellery, handbags, and whisky are close to or below the average. Visitors to the city can already offset these costs with the lowest-priced hotel suites in the index.

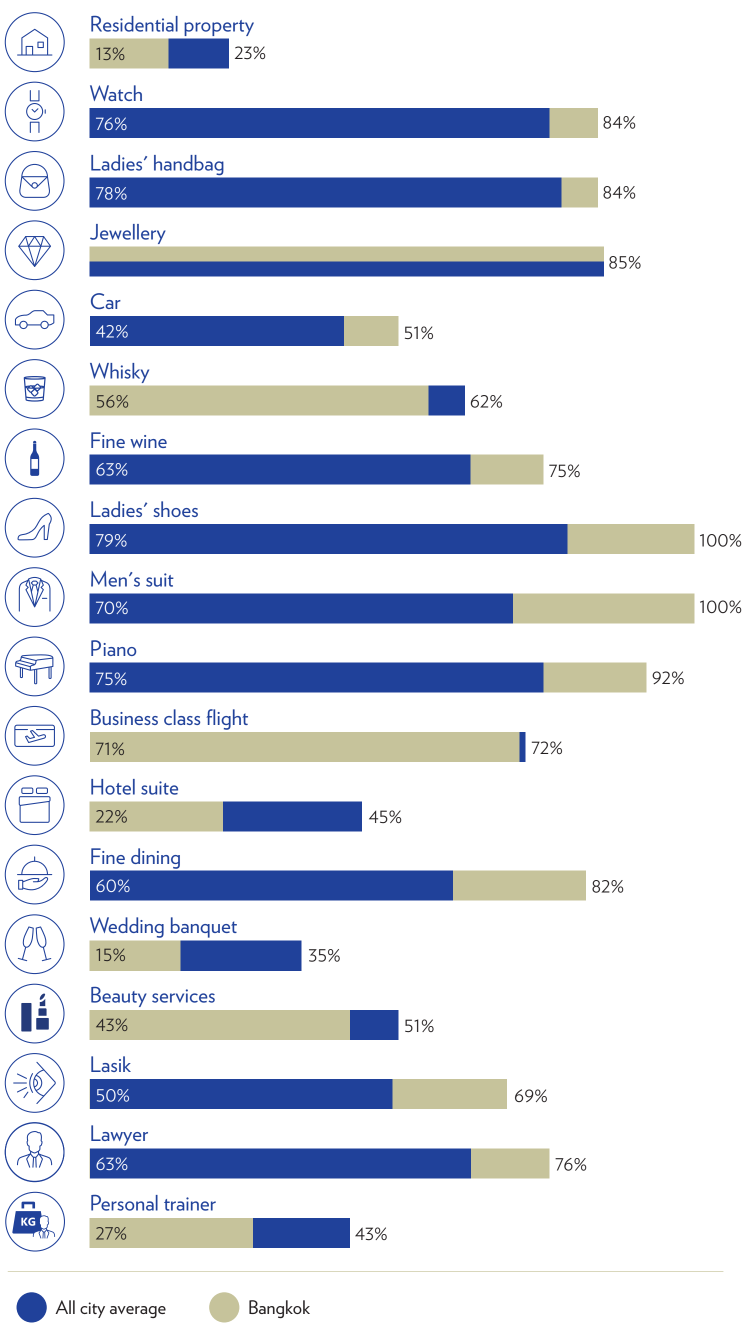
Luxury property in Bangkok is affordable, at half the global average in 2019. A record supply of new properties during 2018, along with tighter loan policies, may continue to keep prices down.

The Thai economy is likely to slow in 2020 on the back of weakening consumption, tapering investment growth and slowing tourism, while the Thai baht's strength is expected to wane from slowing tourism and exports.

11 Global Rank

6 Regional Rank

BANGKOK VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

HONG KONG

Prestige as a premium market undented.

Hong Kong is an expensive city to live in, ranking above the 90th percentile for those items enjoyed more by residents than visitors: property, services, fine dining, business class tickets and lawyer fees.

The Hong Kong market for luxury goods amounted to USD 6 billion in 2019, and is growing at around 1.2% CAGR[60]. Watches and jewellery make up the largest segment, at about a third.

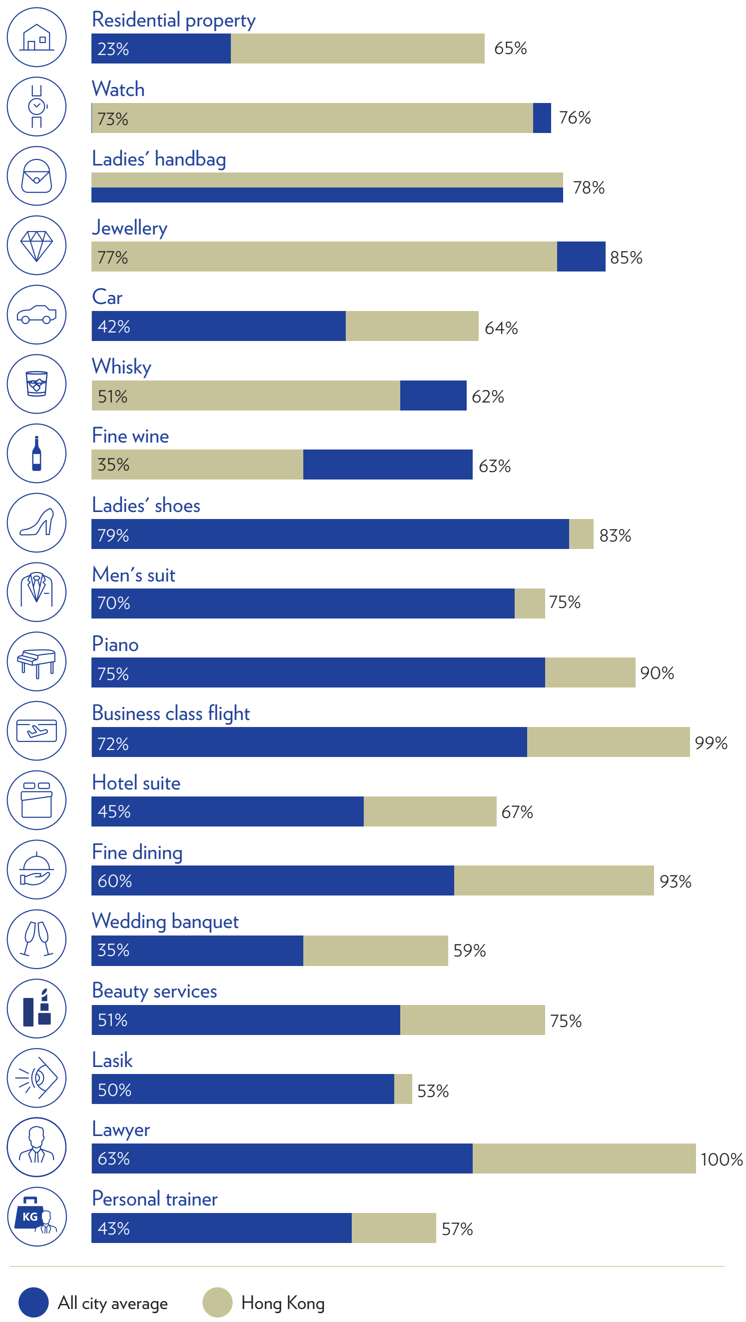
Branded fashion offers reasonable average value, while portable items such as watches, whisky and fine wine are more attractive relative to other destinations as there are no duties in Hong Kong. In fact, it is the cheapest city in our whole index for jewellery. Shopping is therefore a big draw for tourists.

That said, street protests in 2019 have affected retailers. Whether this will have a longer-term impact on the city's reputation as a luxury destination remains to be seen. For now, international investors are waiting and watching.

The overall residential property market has stagnated as the ongoing trade war pushed buyers to the sidelines with many worried about its impact to the Hong Kong economy.

We expect a moderation in economic growth activity in 2020 from weaker business investment and a cyclical downturn.

HONG KONG VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

60 Statista Consumer Market Outlook – Market Report, Luxury Goods Report 2019

JAKARTA

22 Global Rank

9 Regional Rank

Attractive destination for those seeking experiential luxury.

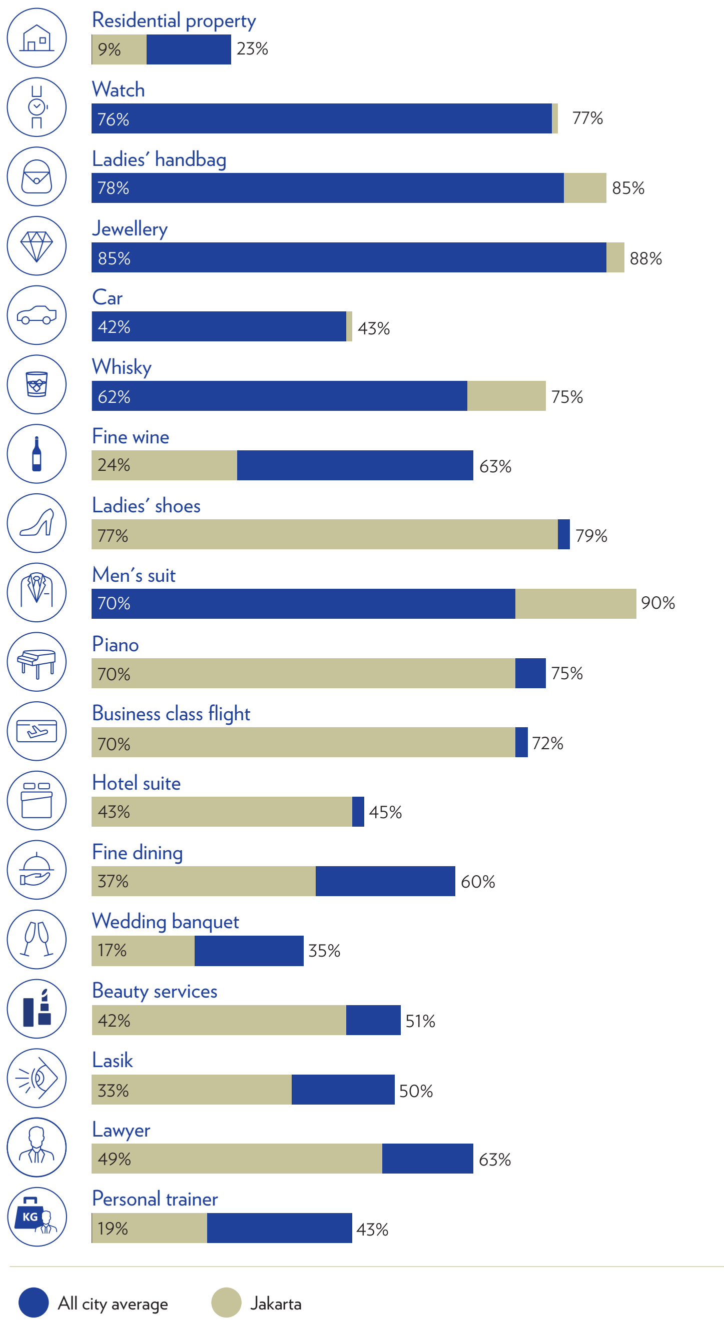
Jakarta provides fairly good value for its wealthiest residents. Prime residential property remains highly affordable, although recent tax breaks could see prices rise from their low base[61]. In addition, everyday services such as personal trainers and beauty services are affordable, while fine wine is the least expensive in our index.

The luxury traveller will find less relative value in the purchase of one-off items, with ladies' handbags, jewellery, whisky and men's suits all more expensive than the international average.

The largely domestic-driven economy is expected to maintain a steady growth rate in 2020 underpinned by healthy private consumption while price inflation is expected to stay modest. Ongoing trade tensions between its two biggest trading partners, the US and China, have kept the rupiah low, denting the purchasing power of its residents but potentially increasing its attractiveness to visitors.

Indonesia's luxury goods market is valued at around USD 2.3 billion, with a compound annual growth rate of almost 5%. Its largest segment is cosmetics, accounting for USD 700 million per year[62].

JAKARTA VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

61 Knight Frank

62 Statista Consumer Market Outlook – Market Report, Luxury Goods Report 2019

MANILA

Deregulation and tax cuts to drive further premium consumption.

The prices of most high-end products in Manila, in particular portable shopping items, are expensive compared to other international centres. Ladies' handbags, men's suits and jewellery are all in the top quartile of expensive cities.

By contrast, the cost of services and intangibles are among the most inexpensive in our index, owing largely to competitive labour costs and the cost of doing business. Wellness services, such as personal trainers, beauty services, lasik, as well as wedding banquets and hotel suites, are all at or close to the bottom quartile. Fine dining is a third the cost of the most expensive city in our sample, while Manila has the least expensive lawyers.

The value of residential property is growing quickly, buoyed by strong economic growth, but from a very inexpensive base.

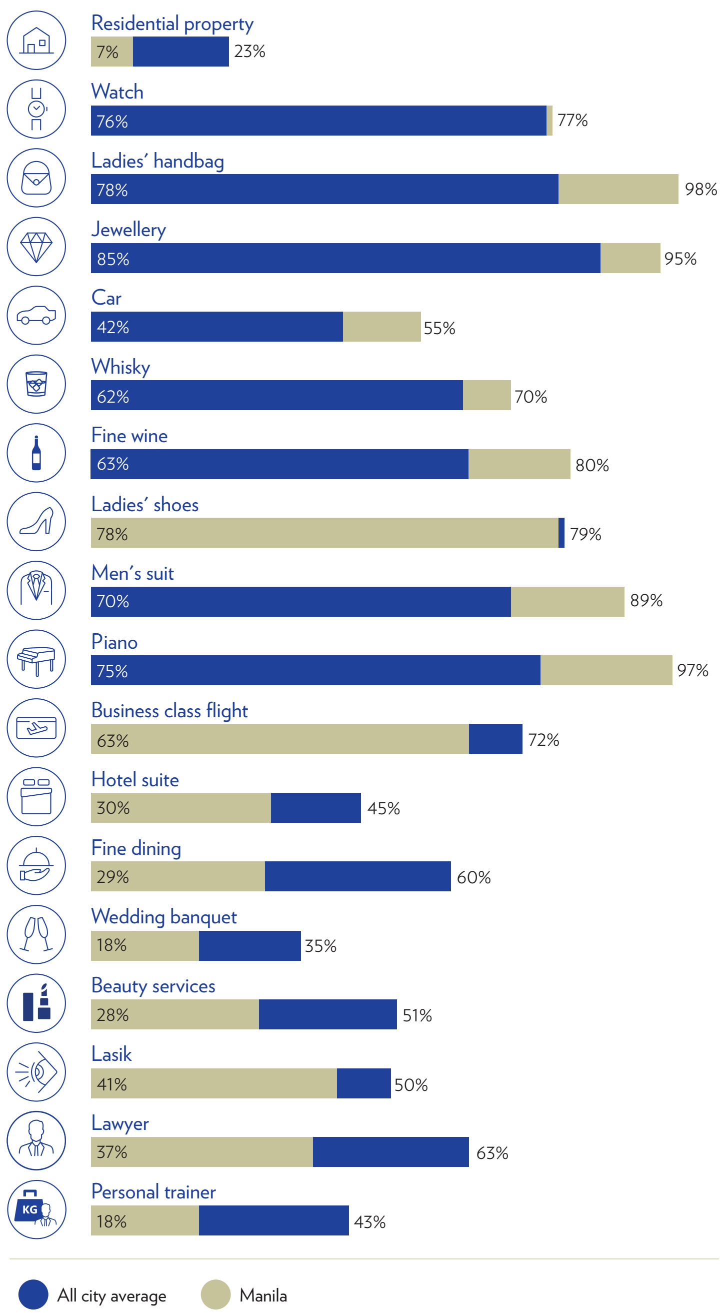
The Philippines has been one of the region's more consistent economic performers. A programme of tax cuts and deregulation lifted luxury spending by 40% between 2013–2018[63]. Local demand and a growing affluent middle class is mainly responsible for demand.

Shopping in the Philippines could become less attractive should the peso continue to depreciate against the USD in 2020 due to external headwinds and a shortfall on the country's current account.

20 Global Rank

8 Regional Rank

MANILA VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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MUMBAI

The least expensive city in our index.

One of India's most populous cities, Mumbai, offers exceptional value across almost all items. Wealthy residents have access to property at roughly a tenth of the price of the most expensive city, and wellness services are among the cheapest, including the best-value personal trainers.

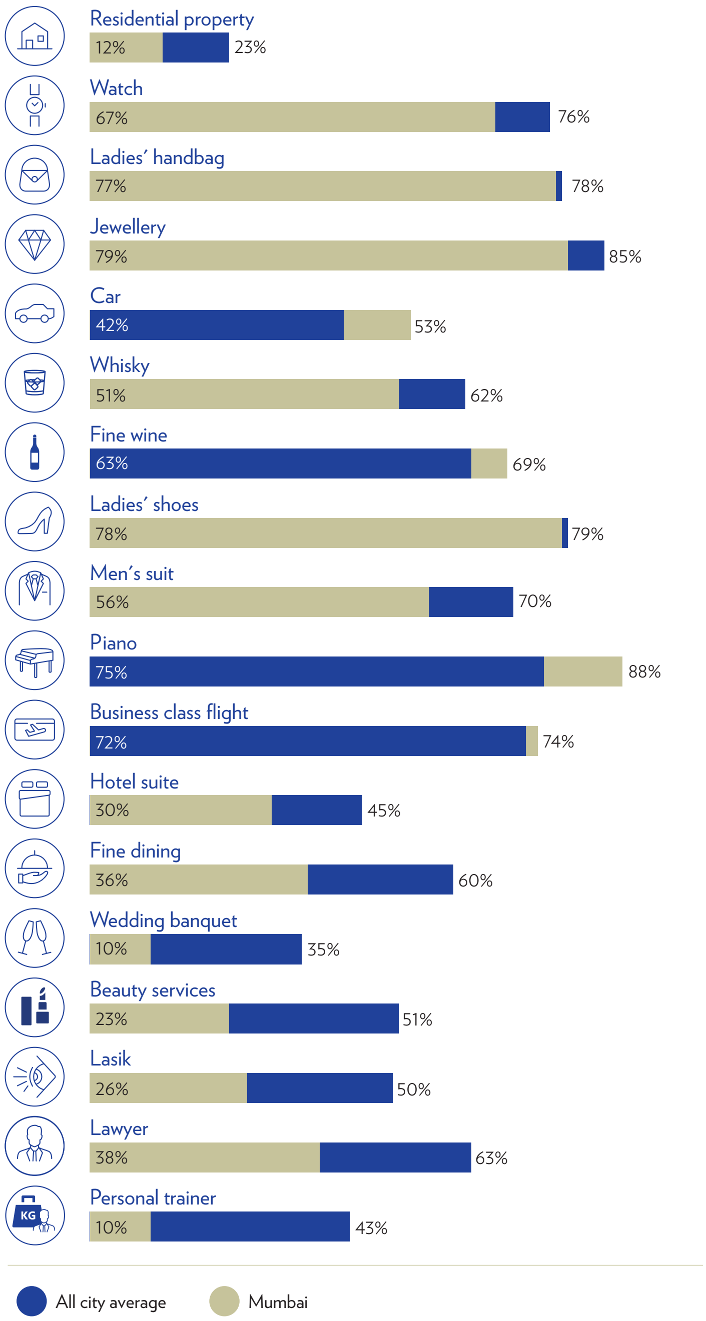
In fact, several services are priced in or close to the bottom quartile. Only cars, pianos, wine and business class flights exceed the global average.

For luxury travellers, the city is also cheap, with watches and jewellery amongst the more affordable globally, while offering the best-value men's suits in our sample.

India's luxury goods market is valued at around USD 8.3 billion per annum, growing at more than 6% a year[64]. Cosmetics and fragrances are its largest luxury segment.

As home to India's main stock exchange, Mumbai has historically been the country's business centre. Its outward-looking attitude is reflected in a professional class made up of Indians from across the country. The huge, local film industry – 'Bollywood' – is, of course, famous.

MUMBAI VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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SHANGHAI

One of the most expensive cities in the world for luxury items.

Shanghai is the second most expensive city in our global index. Hotel suites are roughly a third of the cost of the most expensive city in our index, and government intervention has kept a lid on prices for the prime residential property market. But for all other purchases, luxury consumers will pay a premium due to high taxes and import duties on goods.

Fine diners in one of the world's most populous cities will pay top quartile prices. Other expensive items include cars and lawyers' fees.

As we write, trade uncertainties with the US and general economic concerns have put further pressure on China's currency. Shanghai is China's de facto financial capital and has ambitions of being a major arts and cultural destination, as massive new projects along the Bund attest.

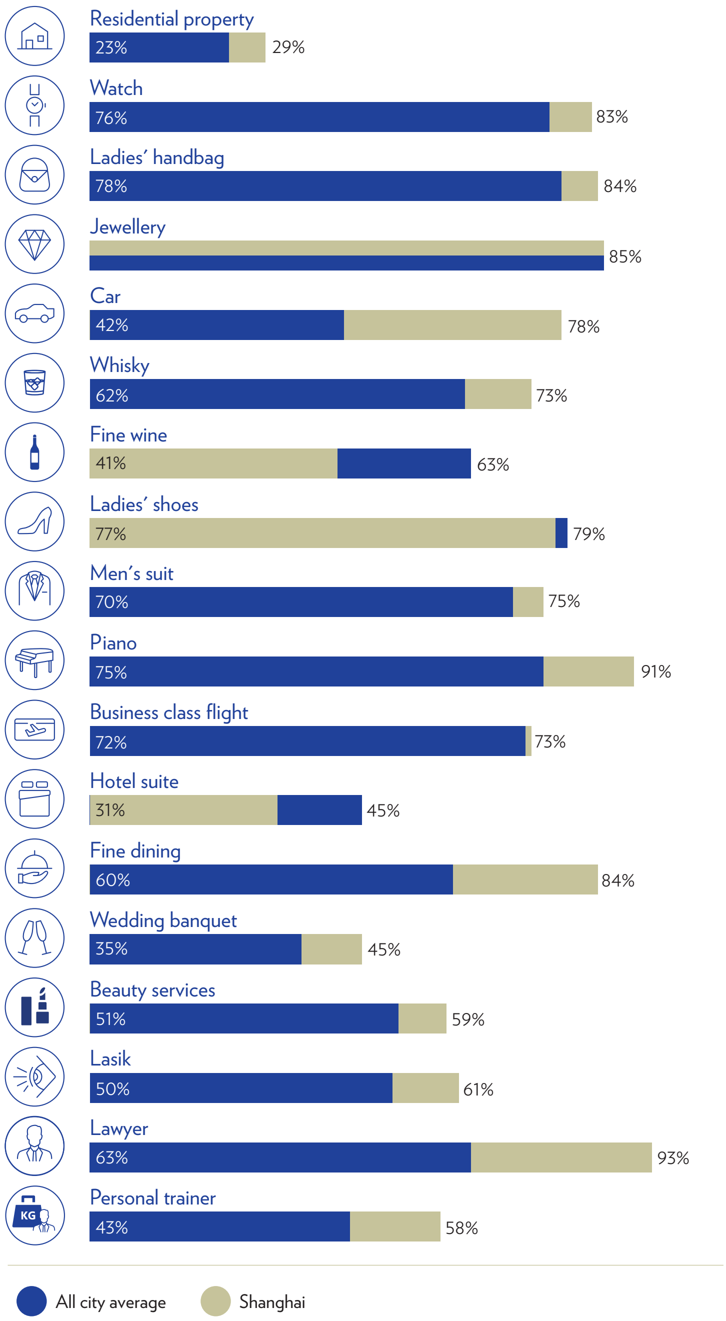
We expect economic growth to stay soft, and currency depreciation pressure to continue in 2020.

Nevertheless, Chinese demand for luxury has been resilient, with mainland consumers accounting for about a third of the world's luxury consumers, by value and this is only expected to grow[65]. However, the majority prefer to buy abroad if they can. To stimulate sales at home, the government has implemented a number of measures such as reducing the value-added tax on imported goods.

2 Global Rank

2 Regional Rank

SHANGHAI VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

65 Mckinsey

SINGAPORE

A major international luxury destination, particularly for the fashion conscious.

Singapore is the fifth most expensive city location in our index and the most expensive place in the world for luxury cars due to various tax and duties levied to mitigate road congestion. Fine dining and business class flights are also costly. Services, including wellness and lawyers' fees, are also fully priced. The government has kept in place cooling measures to contain residential property prices. This has affected transaction volumes but has had only a marginal impact on prices.

Singapore cultivates itself as a shopping destination. Hotel suites are low for an otherwise fully priced city, while portable consumer items such as watches, jewellery and fine wine are all priced below the international average.

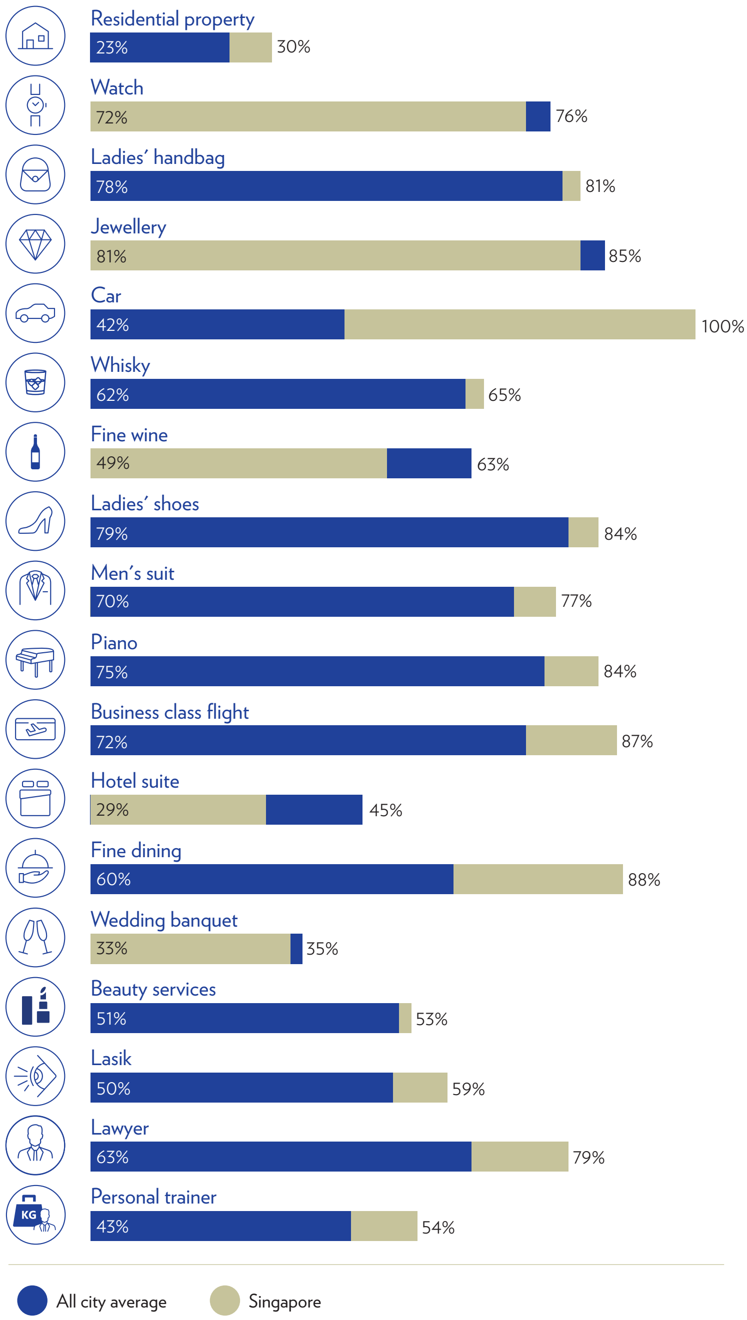
With a small domestic market, Singapore is reliant on global trade. Sentiment has been fragile in the wake of the US-China trade war. That said, economic growth is expected to pick up next year, while solid fundamentals support the longer-term outlook of the Singapore dollar.

Singapore's luxury goods market is worth around USD 2.4 billion, and is growing at around 4% a year. Its largest luxury segment is fashion, accounting for around USD 890 million[66].

5 Global Rank

4 Regional Rank

SINGAPORE VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

66 Statista Consumer Market Outlook – Market Report, Luxury Goods Report 2019

SYDNEY

Luxury goods are affordable in comparison to Asia-Pacific neighbours, but still not cheap.

Sydney is the 15th most expensive city internationally, and the most expensive city to fly out from in business class.

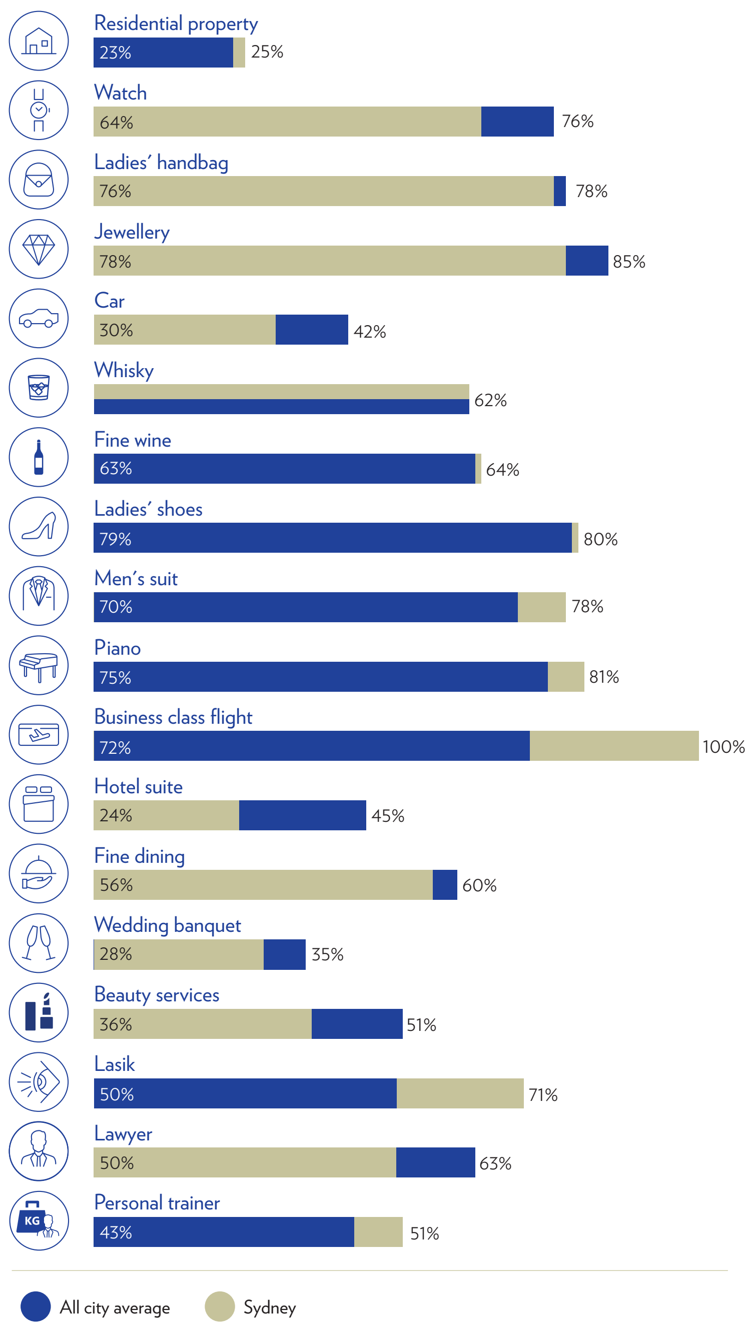
A large number of items hover around the global average. However, luxury travellers will enjoy the cheapest watches, inexpensive jewellery, and well-priced hotel suites, at a fifth the price of the most expensive city.

Sydney-siders pay just over the international average for residences. Tight lending conditions had taken the heat out of the market but more accommodative policy could see an uptick in 2020.

The Australian economy has enjoyed prolonged growth thanks principally to the opening up of China and demand for resources. But with the economy there slowing amid overcapacity and weaker trade, there are fears that Australia's decades-long expansion may end soon. The economy is expected to be weighed by a weak housing and labour market and the Australian dollar may remain soft due to low commodity prices.

The country's luxury goods market amounts to about USD 5 billion a year and is growing at about 3% a year[67].

SYDNEY VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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TAIPEI

The most affordable city for luxury buyers with a romantic agenda.

Taiwan's capital continues to offer reasonable value for prime residential property. Prices remain lukewarm due to mortgage caps for luxury homes, but this has been offset by low interest rates and limited supply.

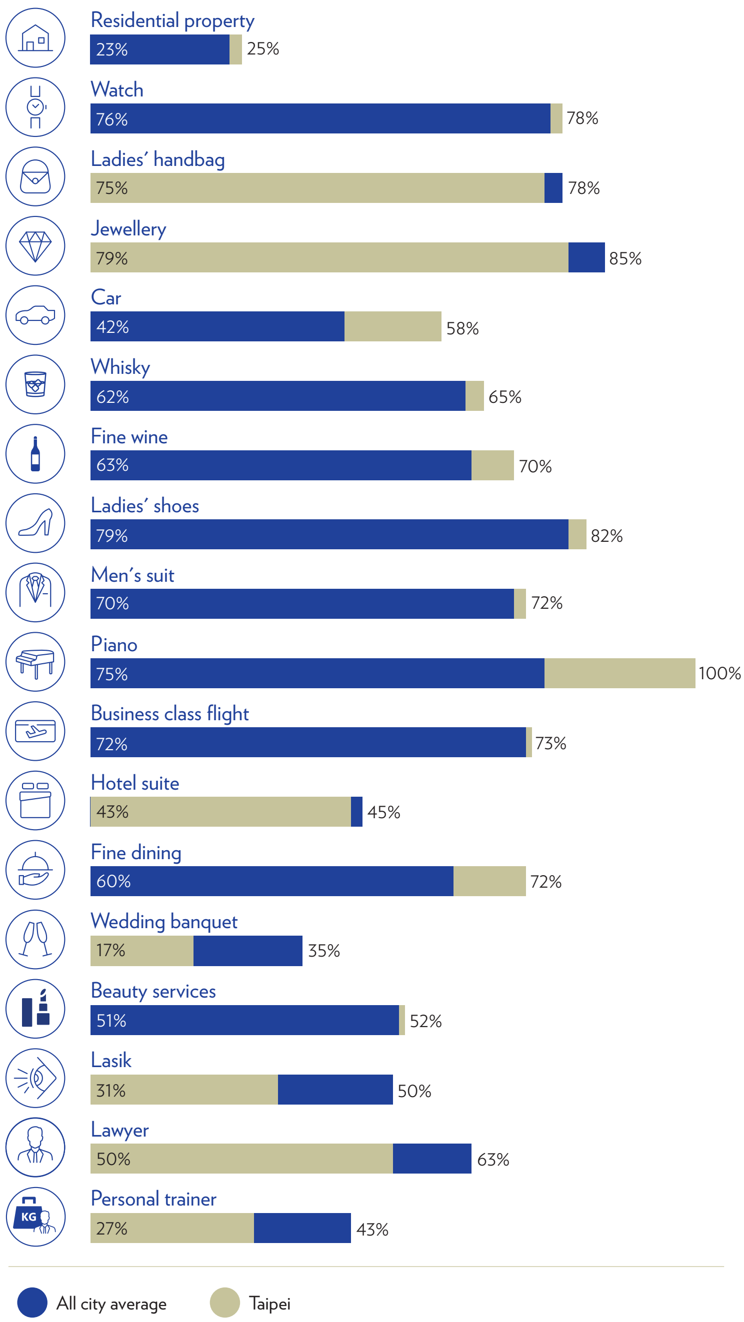
Services offer good value, largely below the international average, while luxury goods and shopping items are generally slightly above the average price.

For romantics, Taipei is a good place to hold a wedding banquet and to purchase jewellery, both priced in the bottom decile internationally. Good value can also be found in the wellness category with lasik and personal training a third of the cost of the most expensive city.

8 Global Rank

5 Regional Rank

TAIPEI VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

TOKYO

Expensive across most luxury items, but still affordable relative to pricier neighbours.

Japan's capital is dear on most metrics. It has the most expensive hotel suites and among the priciest business class flights. Portable shopping items are mainly above average (with the exception of watches), but for most smaller ticket items and everyday luxury services, the city is in line with its peers.

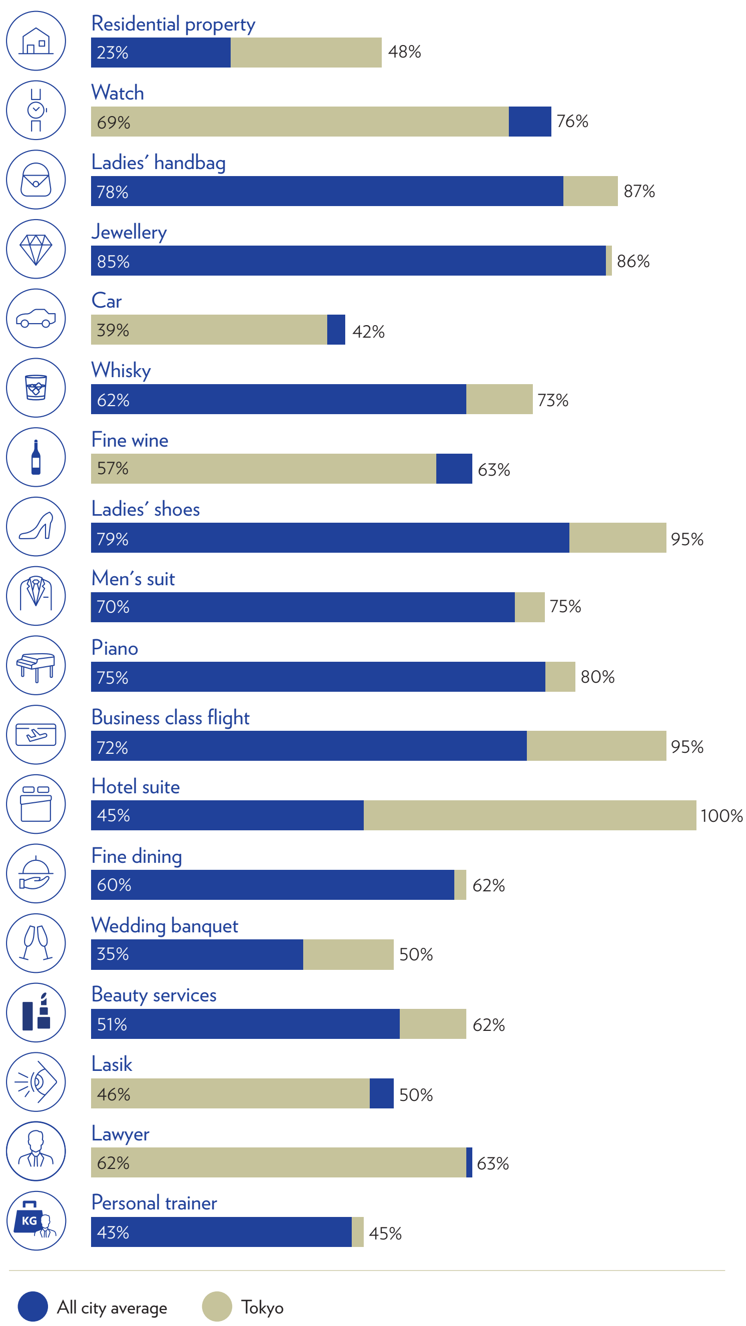
Property prices are more than twice the global average, although that is still less than half the price of the most expensive city in our sample. Property developers have been building more high-end properties for the growing number of high net worth individuals (HNWI) in Tokyo as well as international HNWI attracted by special tax incentives.

The Japanese luxury goods market remains the second largest after the US, is worth about USD 29 billion, and growing at 3% a year[68]. In addition, tourists, especially from China are growing in number owing to Japan's range of attractions and improved affordability. The 2020 Tokyo Olympics is likely to provide a further boost.

3 Global Rank

3 Regional Rank

TOKYO VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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EMEA

BARCELONA

A good value destination for global luxury travellers

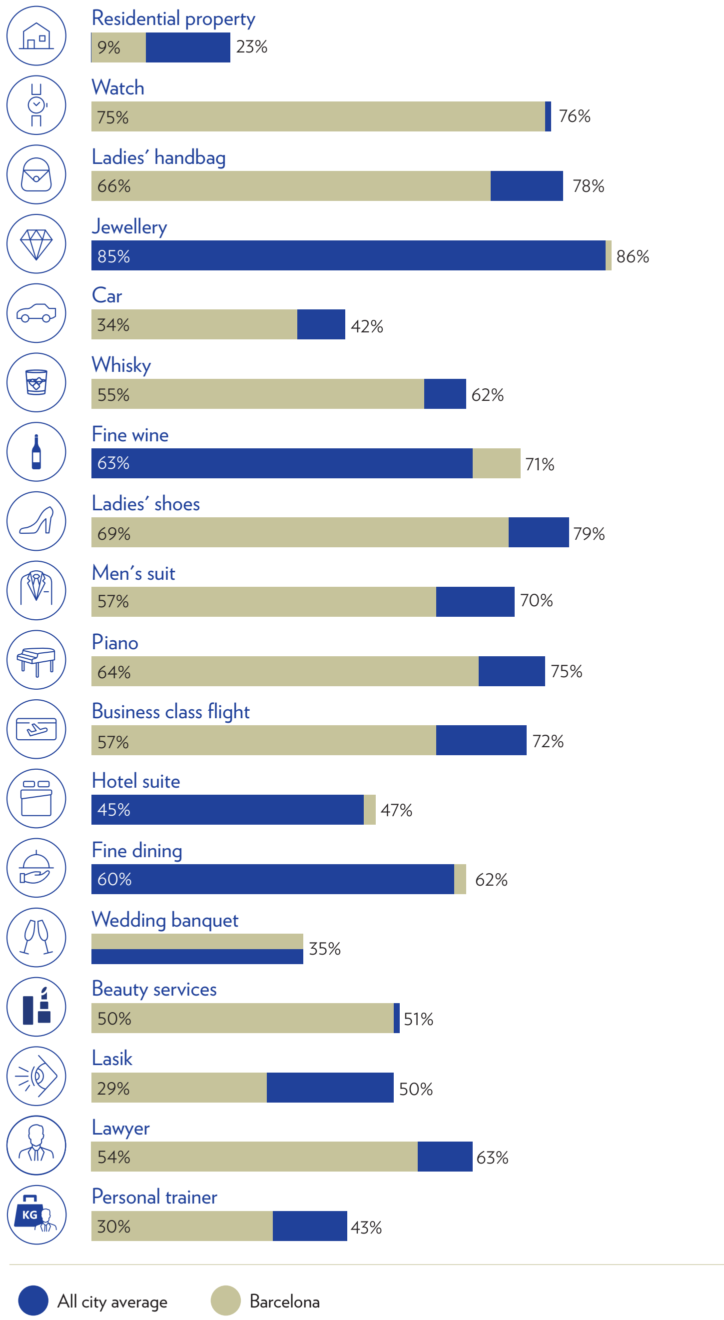
The capital city of Spanish province Catalonia, Barcelona manages to combine commerce with relaxation. As the ninth cheapest out of ten European cities in the index, it offers compelling value.

Barcelona is at or below the average for almost every luxury item and represents affordable value for the luxury consumer. Select apparel, notably ladies' handbags (in fact all leather goods, for which Spain has a fine reputation) and men's suits, offer exceptional value. The city's draw as a tourist destination and limited supply is a factor in its relatively expensive hotel suites.

The high-end property market remains very inexpensive relative to other European cities, a fact that has made the city a major attraction for international demand over the past year, as buyers of prime residential property look beyond the main international capitals for greater value.

Spain's luxury goods market is growing at about 3% a year and is valued at USD 7.6 billion[69].

BARCELONA VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

69 Statista Consumer Market Outlook – Market Report, Luxury Goods Report 2019

DUBAI

Attractive property prices in the most cosmopolitan of luxury markets.

17 Global Rank

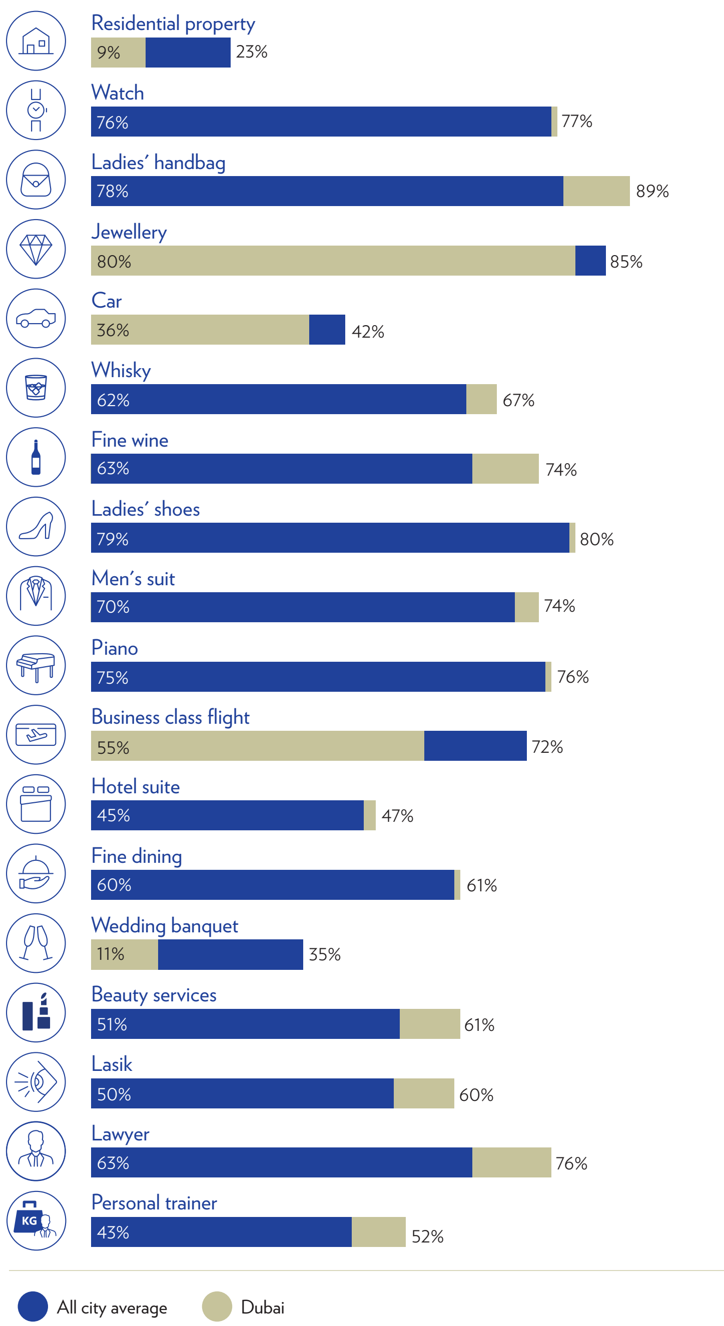
6 Regional Rank

The largest city in the United Arab Emirates' value is very much item specific. Jewellery, cars and wedding banquets offer pockets of value. On the other hand, Dubai is notably expensive for wellness services, a possible consequence of its reputation for luxury breaks.

This may change as Dubai is looking to expand its offerings for wellness services and luxury experiential, with new wellness themed resorts scheduled to open in the coming years.

Luxury property, previously good value, is now exceptionally good value, as high levels of supply have seen prices fall consistently, by over a fifth in the past five years. The UAE economy has been hurt by volatile oil prices and headwinds in the real estate and construction sectors. Meanwhile, a fiscal stimulus in the form of Expo 2020, the quadrennial international trade show, is expected to prop up tourist-related spending and economic growth, currently running at just above 2%.

DUBAI VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

FRANKFURT

The most affordable and undervalued city in western Europe for many luxury items.

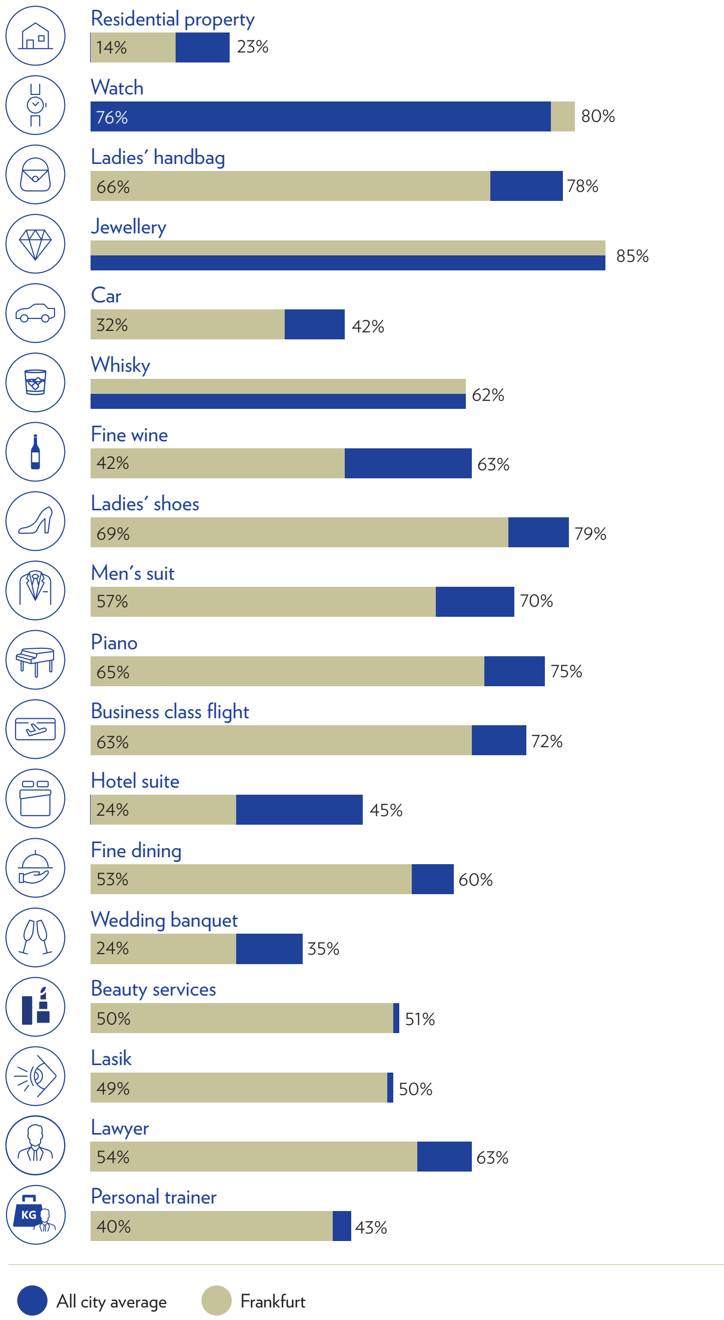
The most cost-effective city in Europe and third most cost-effective in our global index, Frankfurt offers exceptional value, particularly in portable luxury goods and hotel suites. In fact, Frankfurt is above the global average for just two items: watches and whisky.

Frankfurt is very much a provincial centre that has grown in size thanks to banking, trade and its status as an air hub. It is affluent but has a fairly mobile professional population and this, plus its location in Europe's centre, perhaps explains its cost attractions. Luxury goods shops have to be competitive internationally if they are to get business. Low property overheads help. But services are relatively expensive, if below the global average.

Property overall remains good value in a European and global context, despite recent price rises driven by strong economic growth and banks expecting to consolidate European business post-Brexit. That in turn has impelled some luxury buyers to look for opportunities.

The German economy could stay sluggish in 2020 on the back of lower exports to key trading partners such as China and the UK, which would have demand implications for larger discretionary items such as property and cars.

FRANKFURT VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

ISTANBUL

Good value for luxury buyers that can handle political volatility.

25 Global Rank 10 Regional Rank

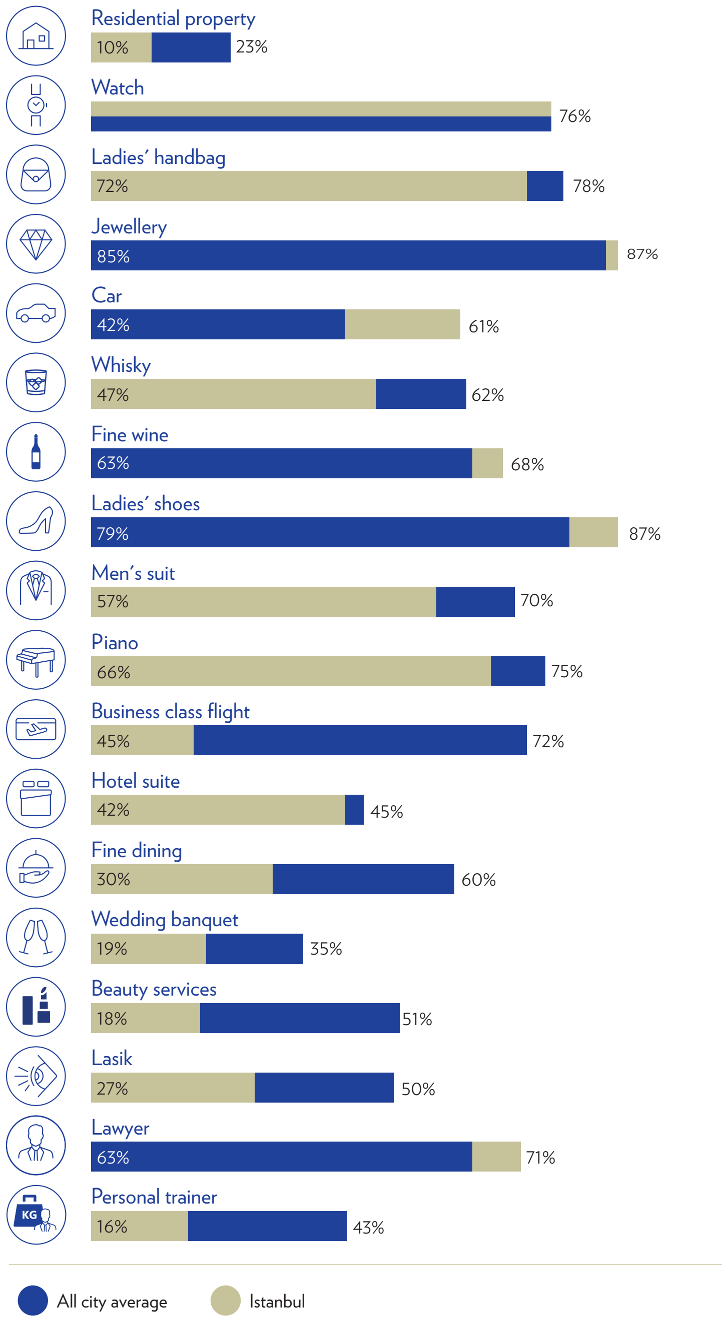
Turkey's biggest city and commercial capital offers good value in most service areas, hotel suites, wedding banquets and wellness.

For the casual buyer, Istanbul is the cheapest city globally for premium whisky and beauty services. It is also a great place to purchase business class tickets.

Having recently opened phase one of a new airport, claimed as the world's largest, Istanbul is keen to compete as a flight hub on East-West routes. The city's rich history and spectacular location on the Bosphorus are perhaps more obvious draws for the traveller.

However, the political environment and currency devaluation have suppressed the market for prime residential property in recent years. A delayed recovery of the economy, amid political tensions and falling reserves, could have a negative impact on the lira's value.

ISTANBUL VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

JOHANNESBURG

27 Global Rank

12 Regional Rank

The second most affordable city in our index for luxury items.

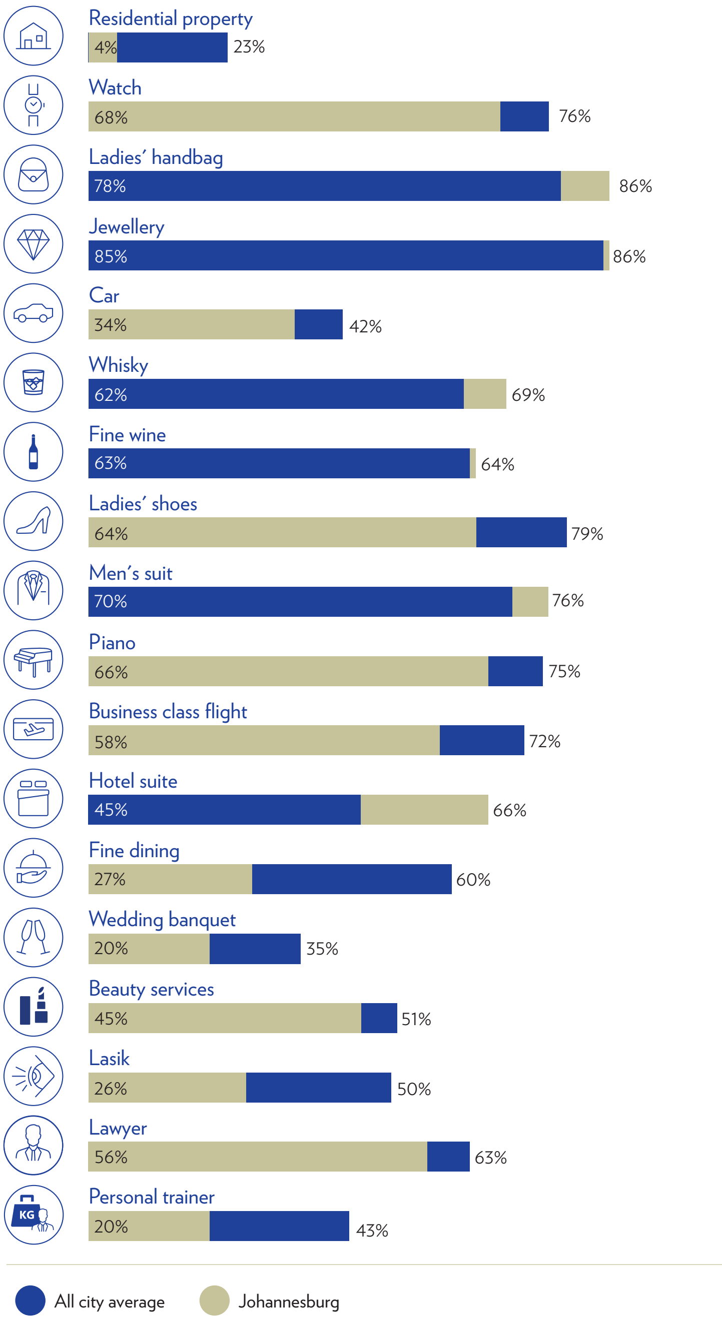
The South African capital offers the best-value prime property of any city in our global index. This is largely due to the depressed economy and rising unemployment conditions.

Yet Johannesburg is recognised internationally as the most industrialised and financially sophisticated city in the African continent. Potential catalysts for the real estate market include less stringent bank lending conditions and investment demand spurred by the African Continental Free Trade Area Agreement (AfCFTA). While property prices have risen modestly, the weak rand means that in USD terms prices have fallen. The rand is highly sensitive to domestic political events and further depreciation in 2020 would influence the cost of luxury living in the city.

Other large domestic purchases, such as cars and pianos, are also competitive, while fine dining and wellness services are all far below the global average prices. It is also a cost-effective choice to hold a destination wedding.

By contrast, portable shopping items are typically priced above the global average, with the exception of well-priced watches and unbeatably priced ladies' shoes.

JOHANNESBURG VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

LONDON

Europe's most expensive city still offers pockets of value for luxury shoppers.

7 Global Rank

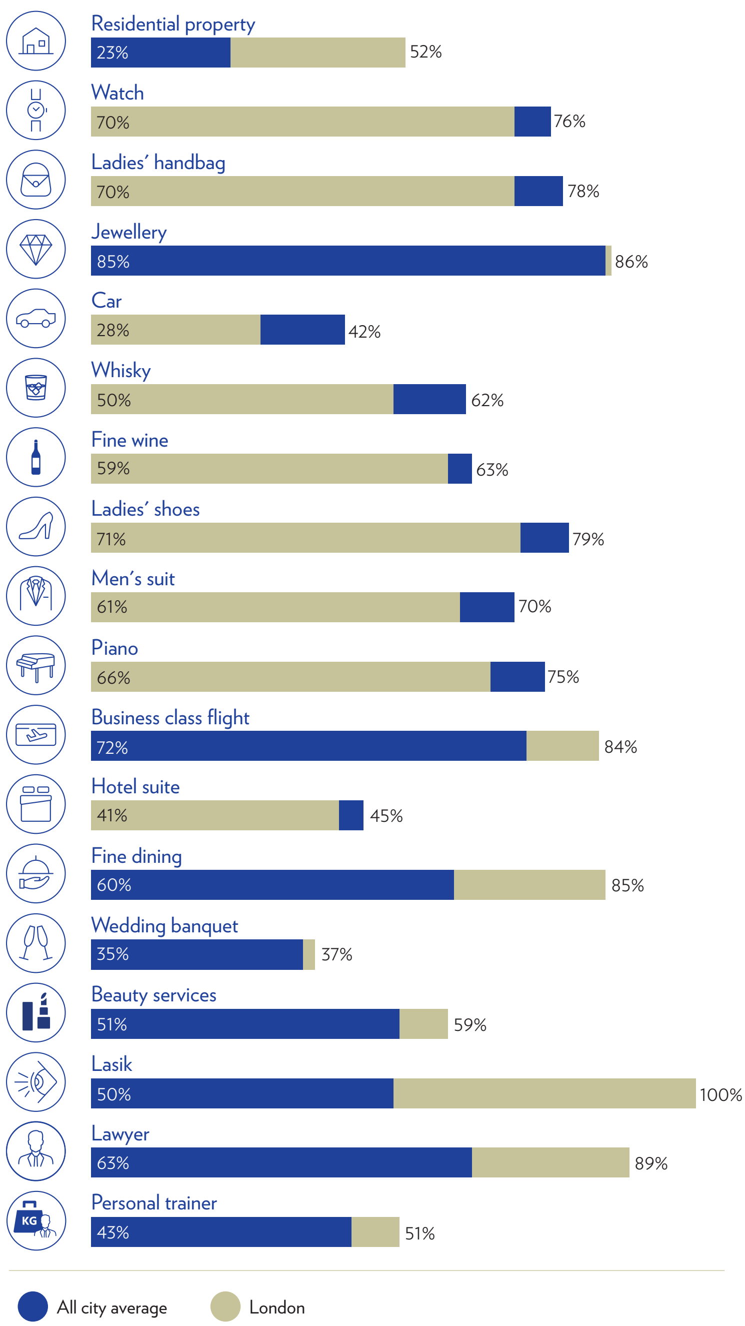
1 Regional Rank

The most expensive city in Europe still provides comparative value for travellers. London's sheer size and throughput of visitors ensures bargains are always to be had, with most portable luxuries and apparel significantly below the global index average. But upscale dining, while cheaper than in Paris, remains expensive.

As the third most expensive property market, prices in London are more than twice the global average, although they are still half that of the world's most expensive market, Monaco. Prices have recently fallen as wealthy buyers switch their attention to secondary markets across the European continent, either to invest their capital or acquire second homes.

The other big contribution to this trend is Brexit. Three years of political dithering have tested patience, although the decline in sterling has made the market look better value for foreigners. Since the Conservative party's convincing re-election, observers are hopeful that confidence will return.

LONDON VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

MILAN

The fashion capital offers good value relative to other European cities.

The Italian luxury fashion industry is worth about USD 7 billion a year, and has a compound annual growth rate of about 3%[70]. The largest segment within fashion is luxury apparel, representing USD 5 billion of the market, making Milan a veritable fashion capital.

Milan's mixture of creative flair and high-skilled suppliers make its leadership in fashion unassailable. But it is also a global design hub that includes furniture, lighting and interiors.

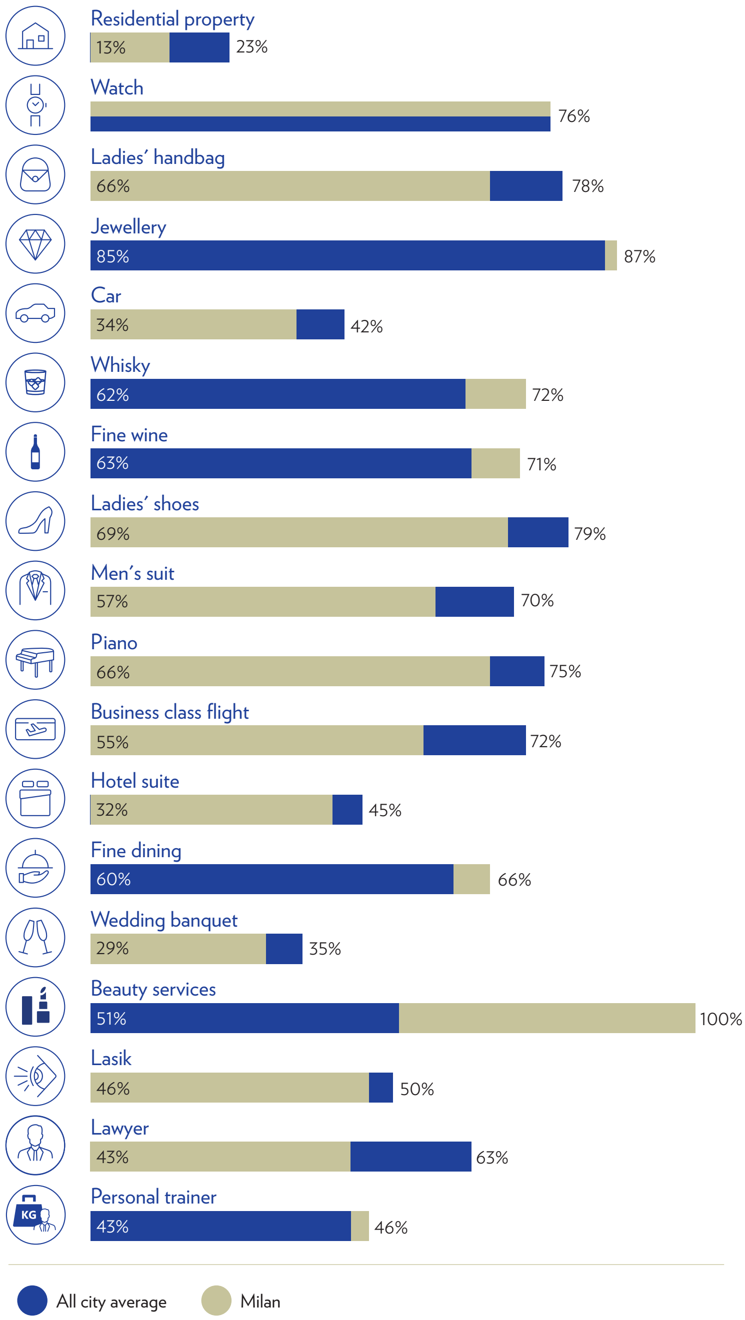
Hotel suites in Milan are notably inexpensive, as are cars. It is one of the best places for men's tailoring.

Indeed, almost all items are priced around or below the global index average, with the only anomaly being beauty services, the most expensive global entry.

Property prices have stabilised in the city in the past year, and demand is rising in the luxury market in neighbourhoods such as Porta Romana, Castello, Pagano, Magenta, Sant'Ambrogio and Brera.

Economic momentum remains weak in Italy, dampened by local political and economic uncertainty, and we expect only a moderate pick-up in growth next year.

MILAN VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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MONACO

High property prices should not obscure pockets of value for the luxury traveller.

Monaco occupies a handkerchief-sized piece of land which limits new building. It has long held its place as the most expensive location in the world for prime residential real estate.

The highest prices are found in Lavotto followed by Monte Carlo, and Condamine. A huge imbalance between demand and supply continues to put upward pressure on prices in the extremely land-constrained principality.

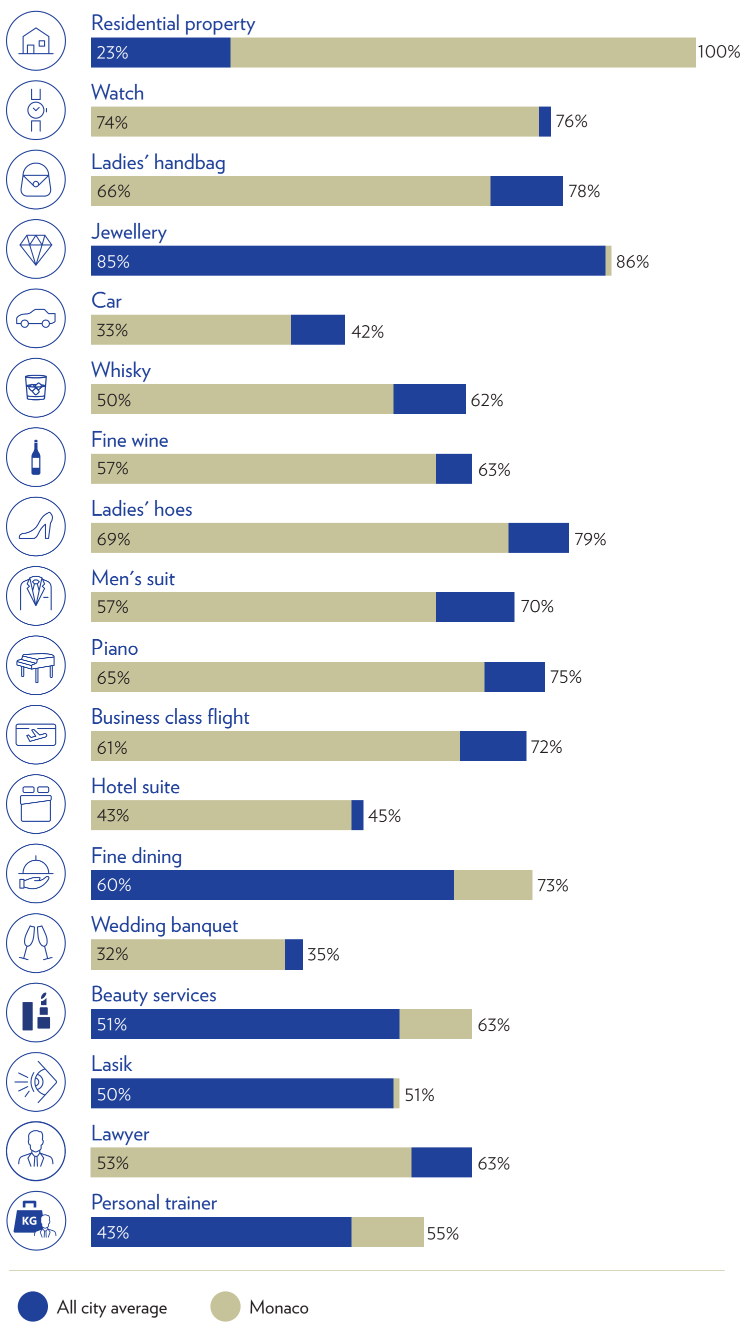
Yet in many respects, this pretty harbour overlooked by tower blocks offers tourists (and residents) surprising value. The price of a luxury car is significantly below the global average, while ladies' handbags and men's suits offer unbeatable value.

Indeed, the price of most luxury products are below global averages, while services offer reasonable value.

10 Global Rank

3 Regional Rank

MONACO VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

MOSCOW

Good value for the luxury buyer across most items in the index.

23 Global Rank

8 Regional Rank

The Russian capital offers good value to the occasional visitor, with well-priced portable shopping items and hotel suites, the latter stemming from the influx of supply after the 2018 FIFA World Cup event. The Moscow tourism market is largely driven by domestic demand and the capital remains one of the most popular tourist destinations in the country.

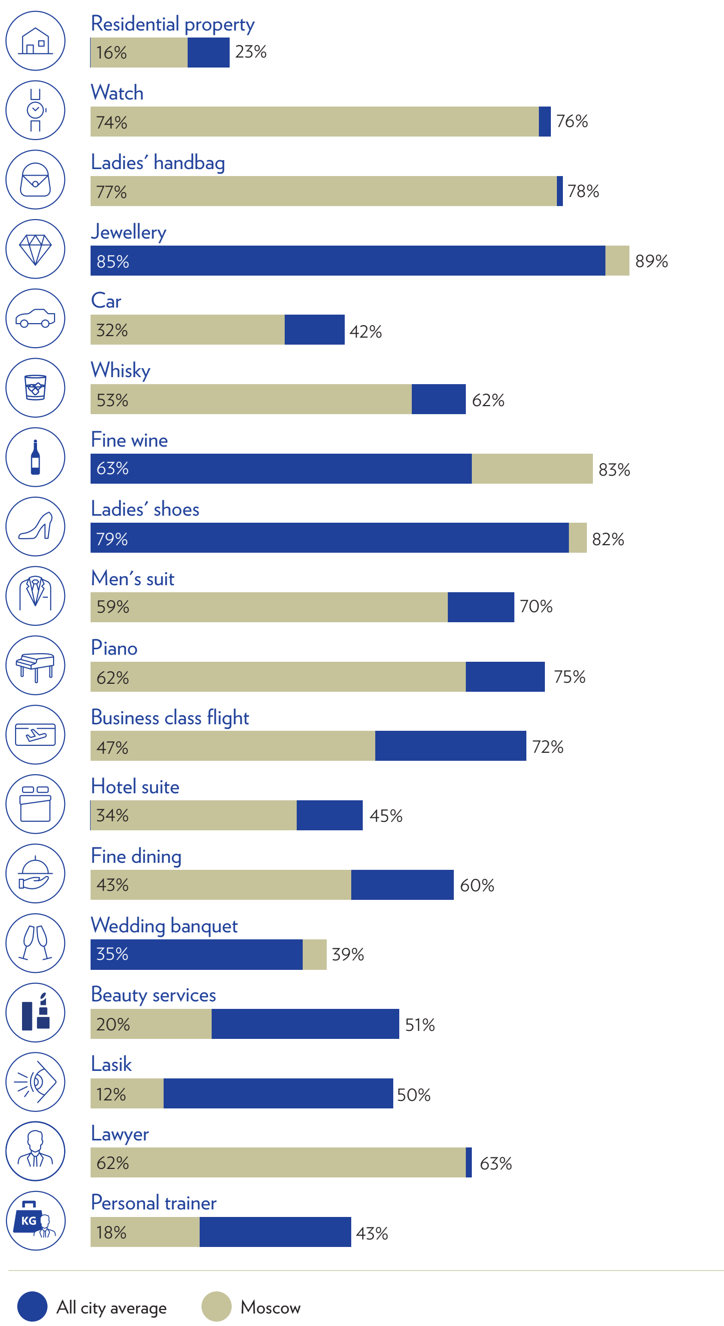
Wellness services are good value in Moscow, as are cars and business class flights.

Residential property remains good value despite a notable uptick in the prime market during 2019, partly driven by a repatriation of wealth away from the London property market.

The Russian luxury goods market is worth around USD 5.4 billion[71]. The market is expected to experience a CAGR of around 3%.

The rouble has fallen on the back of rate cuts and remains a volatile and event-driven currency. This will continue to exert an influence on the purchasing power of the local resident.

MOSCOW VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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PARIS

The most expensive city for fine dining.

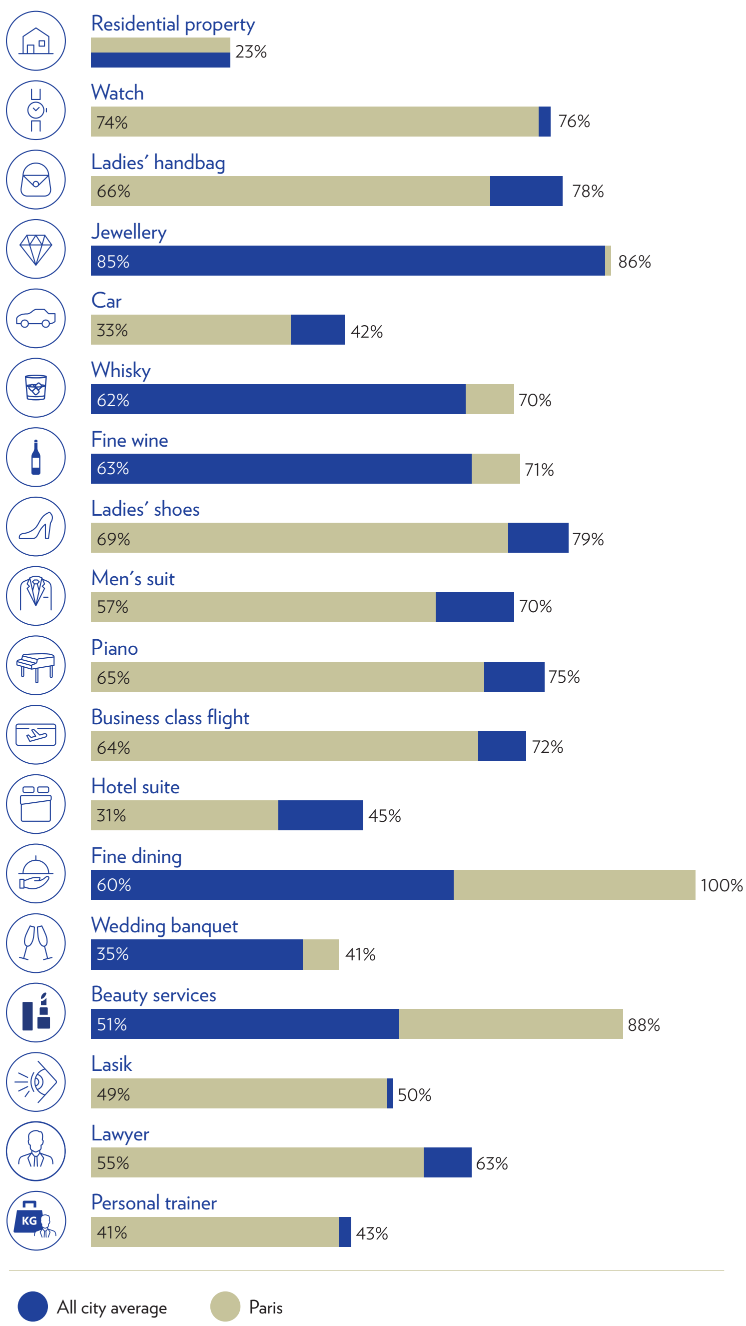
France is world renowned for its cuisine which, in its capital, is priced accordingly. Fine dining in Paris is the most expensive in our index, and fine French wine is also expensive when bought in its country of origin.

By contrast, many luxury shopping items are notably affordable, including ladies' handbags, which offer the best value in our worldwide index. Hotel suites are also reasonable value, at 31% of the most expensive city.

Indeed, for luxury residents, Paris is relatively affordable, with both property prices and luxury cars below the average index price. That said, property prices in Paris have been on the upswing with record-breaking transactions registered this year due to a housing shortage and Brexit, as wealthy individuals seek an alternative base to London.

12 Global Rank **4** Regional Rank

PARIS VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

VIENNA

14 Global Rank

5 Regional Rank

The property market is getting uncharacteristically busy.

Vienna is regularly ranked at the top of quality of living indices, a reflection of its compact size, efficient transport and cultural sophistication. The Viennese take their pleasures seriously. Fortunately for those who want to join them, these do not cost too much.

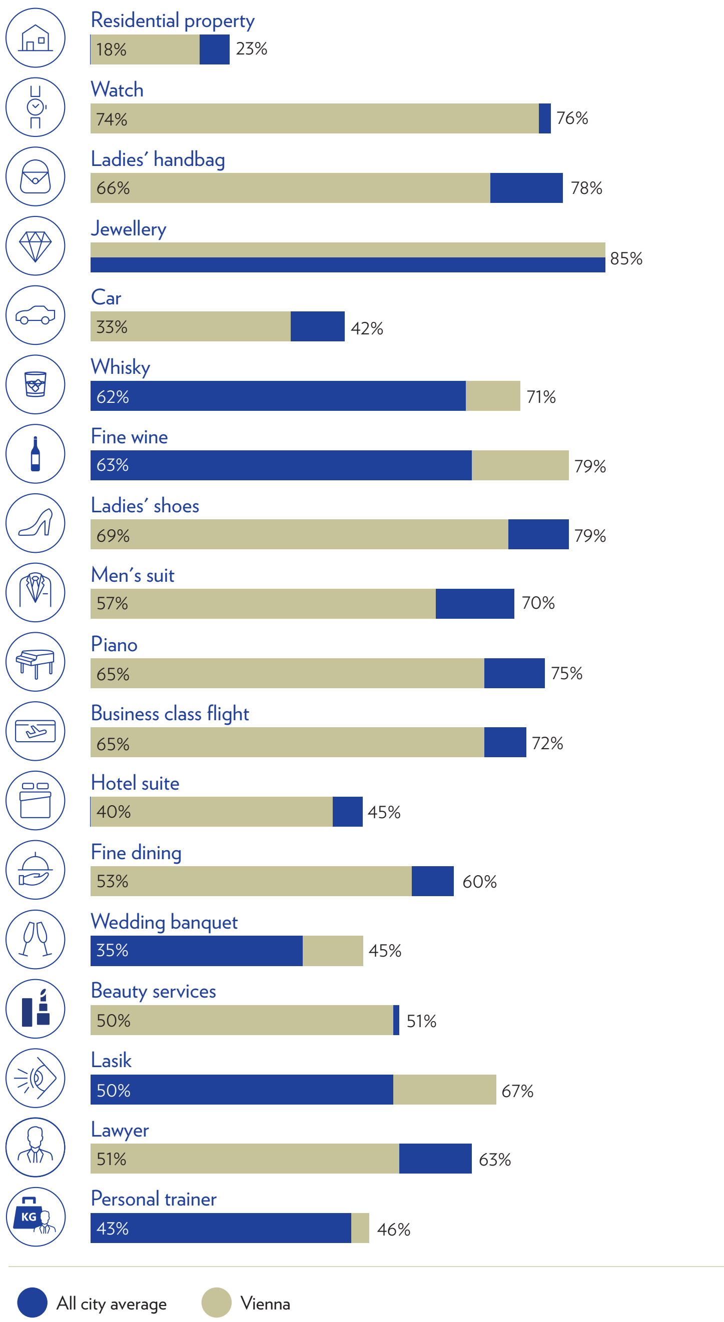
Within Europe, Vienna is the 5th most expensive city to purchase top-end residential property although real estate prices are still below global averages. Its prime residential market has been steadily rising in value due to scarce supply and high ownership by institutional investors

The luxury part of the market is focused mainly within the 'Innere Stadt' district, where new-build properties achieve significantly higher pricing. Robust growth has been fuelled by both domestic and international demand.

In terms of shopping, Vienna's tastes are typically quality focused rather than cutting-edge style. Men's suits and ladies' handbags are among the best value in our global index, but otherwise most items are unremarkable for their cost.

Altogether, the Austrian luxury goods market is valued at around USD 2 billion and is growing at around 3% a year[72].

VIENNA VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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ZURICH

Good luxury value can be found, if you know where to look in continental Europe's most expensive city.

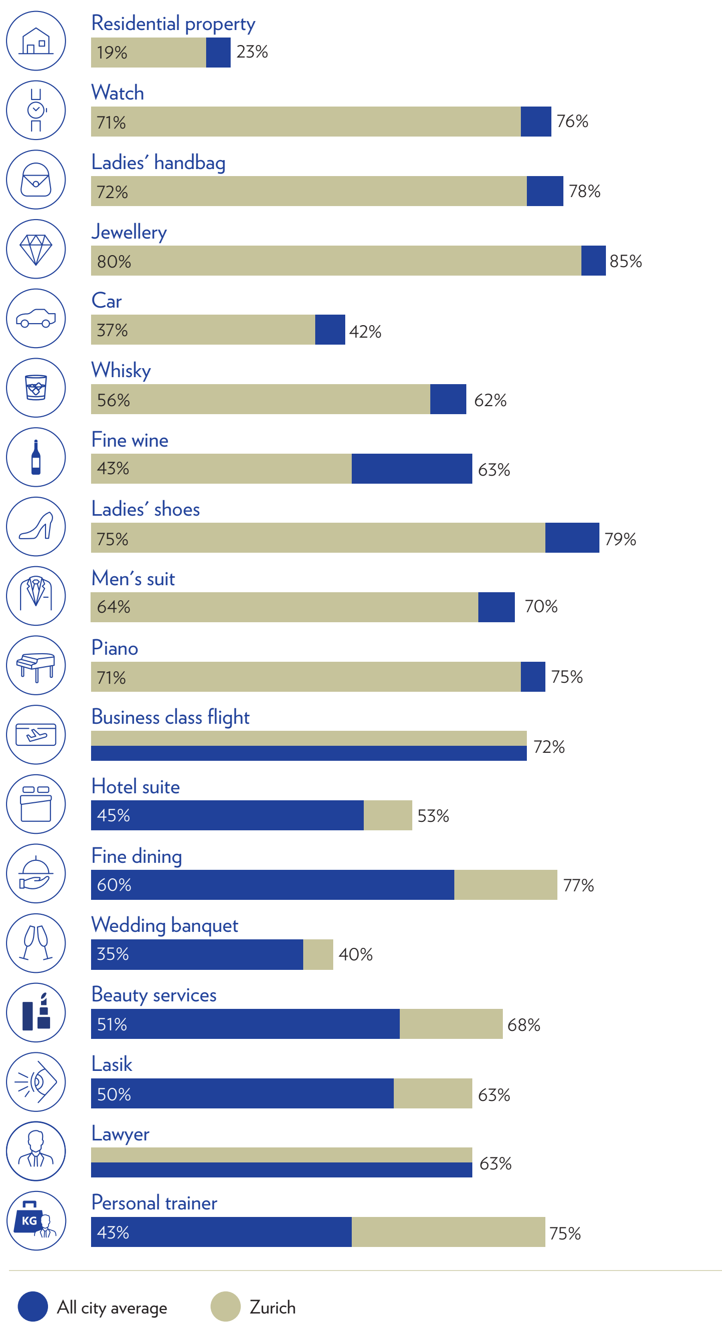
Overall the most expensive city in continental Europe, Zurich has two aspects. While it is one of the priciest cities for services and wellness and notably expensive for cuisine, luxury products, both portables and durables, are well below the international index average, largely due to low value - added taxes and an absence of luxury goods taxes.

Swiss luxury property prices have risen strongly, with one of the main drivers of demand being growth in top-tier incomes. Within the city of Zurich, controls on non-resident purchases within the city of Zurich have dampened prices. However, the sustained shortage of apartments continues to drive purchasers' willingness to pay high prices.

For the past few years, the Swiss franc's status as a safe-haven currency has attracted inflows. Efforts to weaken it have had little success, with the central bank sticking to its ultra-loose policy. With weakness in Germany, its key trading partner, negative rates are likely to stay and the country will remain expensive to visit.

The country's luxury market is valued at around USD 3 billion a year, with a CAGR of around 2.5%[73].

ZURICH VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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THE AMERICAS

LOS ANGELES

An increasingly popular choice for mobile luxury buyers, LA is by no means cheap.

6 Global Rank

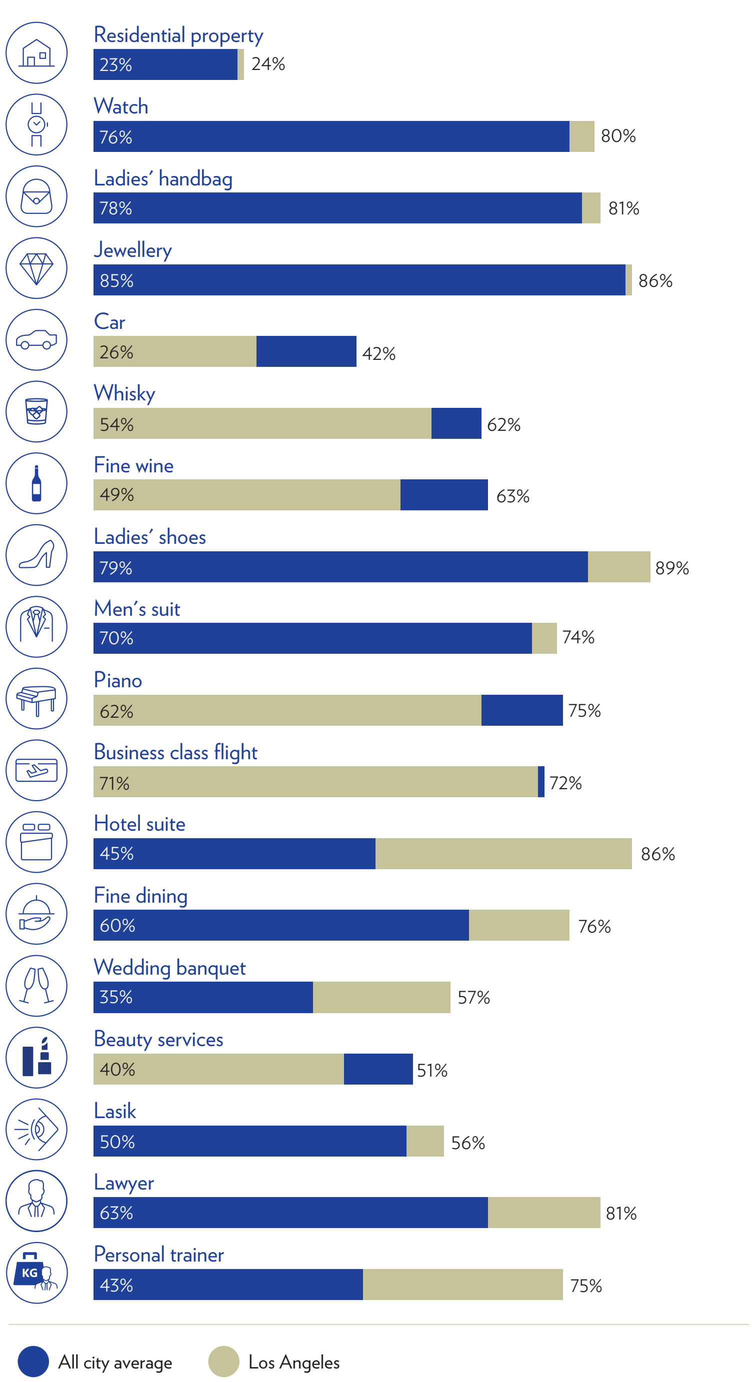
2 Regional Rank

The second priciest city in our Americas index after New York, Los Angeles is an expensive city with most items at or above the average. The occasional visitor will benefit from relatively well-priced portable shopping items, but hotels and fine dining are notably expensive. Wellness services are similar.

It makes economic sense to purchase a premium sedan in the City of Angels (or anywhere in the US), where it is roughly half the price of international averages. Cars in the US are more affordable given the sheer size of the market and discounts that come with buying in volume.

New luxury condominium developments have begun to transform the prime LA market, and prices in the city have continued their upward trajectory. This reflects civic efforts to improve cultural attractions, evident in more museums and galleries, and to foster creative industries, once confined to movie-making but now including design, architecture and art. Money from information technology industries has come south and is also helping the city's repositioning.

LOS ANGELES VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

MEXICO CITY

18 Global Rank

5 Regional Rank

Good value for foreign buyers, and a domestic luxury market set to grow.

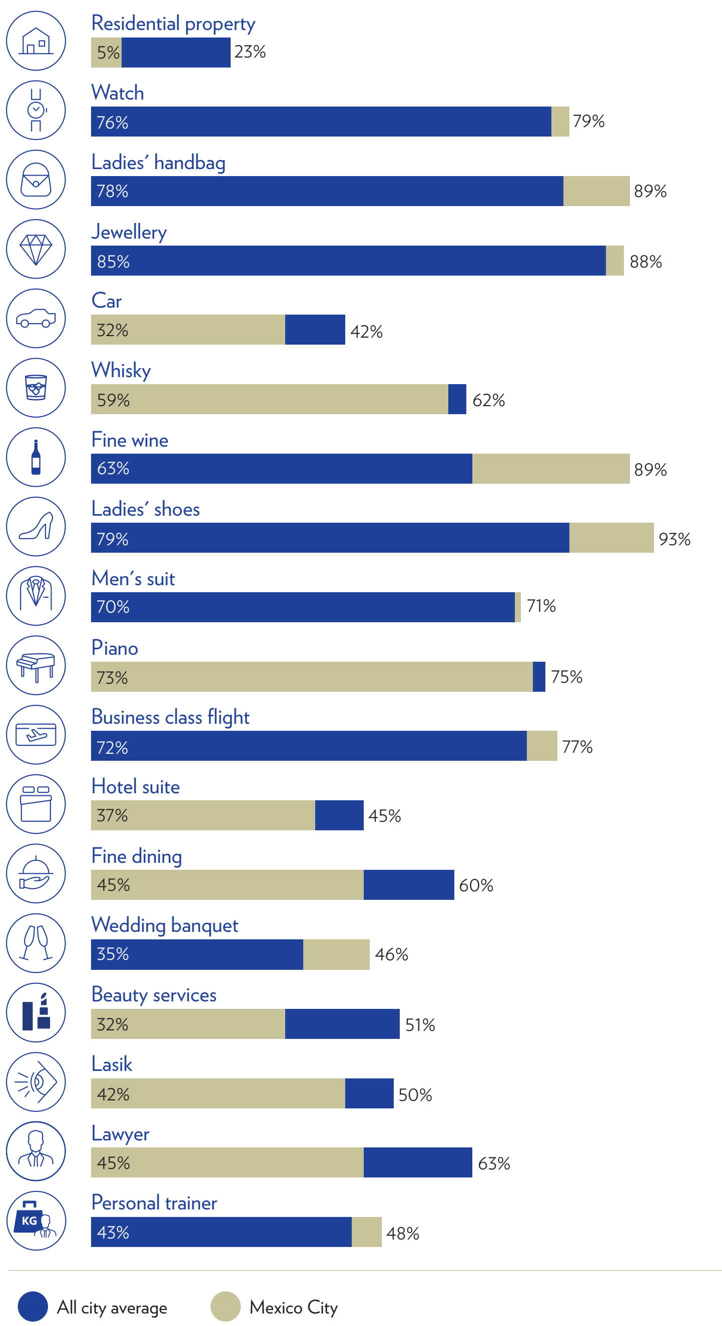
Travellers will find comparative value in the city's wellness and related services, as well as fine dining and hotel suites. However, portable luxury goods are relatively more expensive.

Restrictions on foreign property ownership keep a lid on residential property prices, while high-end cars also offer excellent value.

Latin America has seen weak growth in the luxury sector, however many commentators see Mexico's market, currently valued at around USD 3 billion[74], as the most promising in the region.

While the city is a popular tourist destination, spending will be driven by a growing domestic middle class and a rising number of millionaires.

MEXICO CITY VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

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MIAMI

Miami compares well to its US rivals for luxury goods.

The highest ticket items in the index – residential property and cars – both score very well in Miami, with real estate inexpensive and car prices a quarter the price of the most expensive city. Smaller, high-value luxuries prove good value, particularly watches, jewellery, handbags and whisky.

That said, Miami is the second most expensive place to buy a business class ticket (after Sydney), and like most US cities, is a comparatively expensive place for services.

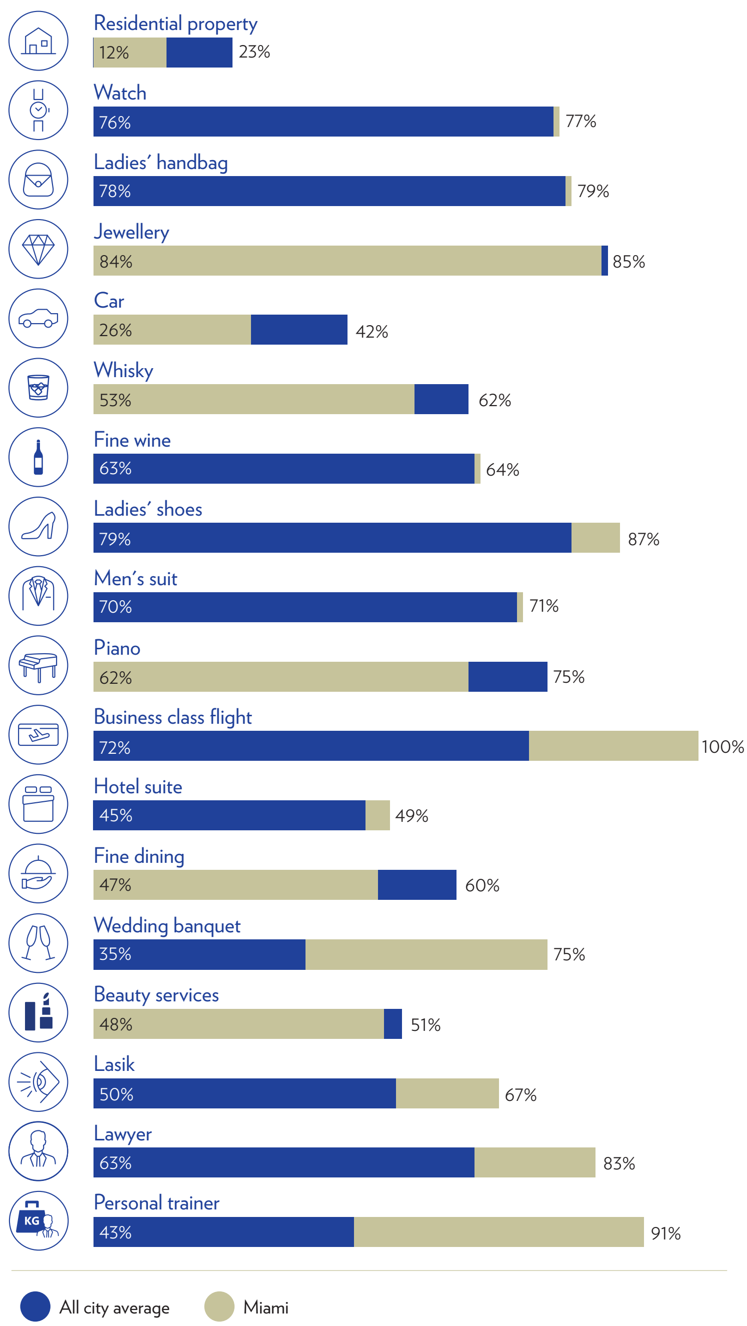
The property market in Miami, much like the rest of the country, has seen a steady rise in prices for the better part of the decade, and prime real estate in particular has done well. Yet it is still relatively good value, at half the average global cost.

A surge in interest this year has come from other states since a reform in federal taxes to benefit from the lower-tax policies of the Florida state[75]. The market still attracts potential buyers from not just within the US but also from foreign countries. However, a glut of completions in 2019 could impact the luxury market in 2020.

13 Global Rank

3 Regional Rank

MIAMI VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

75 The rewritten tax law, enacted in 2018 capped the amount of mortgage interest tax payers could write off at USD 750,000, down from USD 1 million, making it less desirable to purchase a high-end home in high-tax states.

NEW YORK

The most expensive city outside of Asia due to services and property prices.

4 Global Rank

1 Regional Rank

Few things come cheap in the Big Apple, which regularly leads the pack as the most expensive city in the US. This is with the notable exception of luxury cars (in the bottom quartile), pianos, wine and whisky as alcohol taxes in the US have generally not kept up with inflation. Most other portable luxury items in our index are somewhat above the global average.

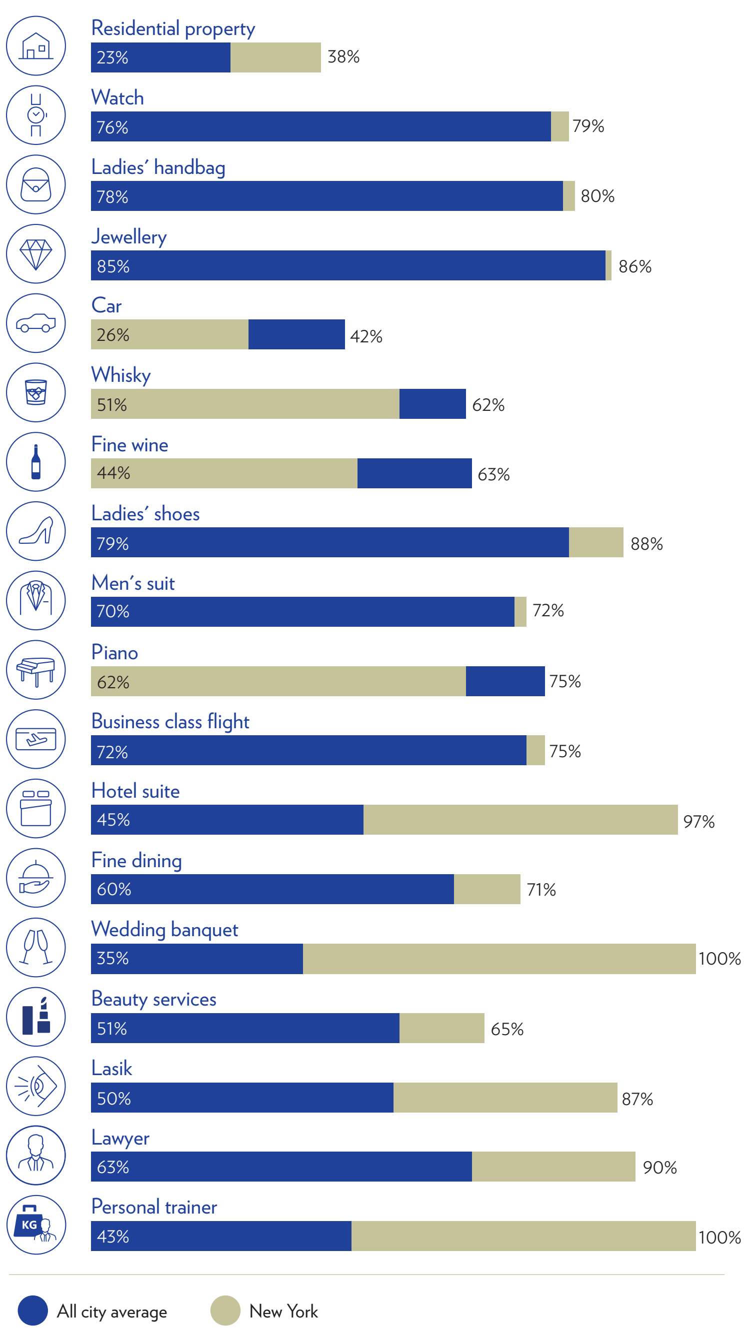
Hotel suites are among the most expensive in the world, a testament to the city's strengths as a global financial, media, entertainment, and cultural hub.

The health-conscious New Yorker pays the most in the world for personal trainers, and other services are similarly steep.

While the prime residential property market is well above the global index average, it is not overpriced compared to other global capitals such as London and Hong Kong. New luxury stock, in the shape of 'super skinny' skyscrapers as well as branded residences by some of architecture's biggest names, is expected to launch soon. This follows the vast new Hudson Yard's opening in 2019.

The US dollar remains a structural safe - haven currency. US growth dynamics surprised positively in contrast to developments in the European economies, reducing expectations of additional rate cuts by the Fed and extending the USD bull run.

NEW YORK VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

RIO DE JANEIRO

16 Global Rank

4 Regional Rank

Affordable for property and services, but high taxes will deter the international shopper.

Rio, often referred to as the Manhattan of Brazil, is the most expensive city for the casual luxury shopper, with watches, handbags, jewellery, whisky and wine all at number one place in our global index due to taxes of up to 300% on high-value items.

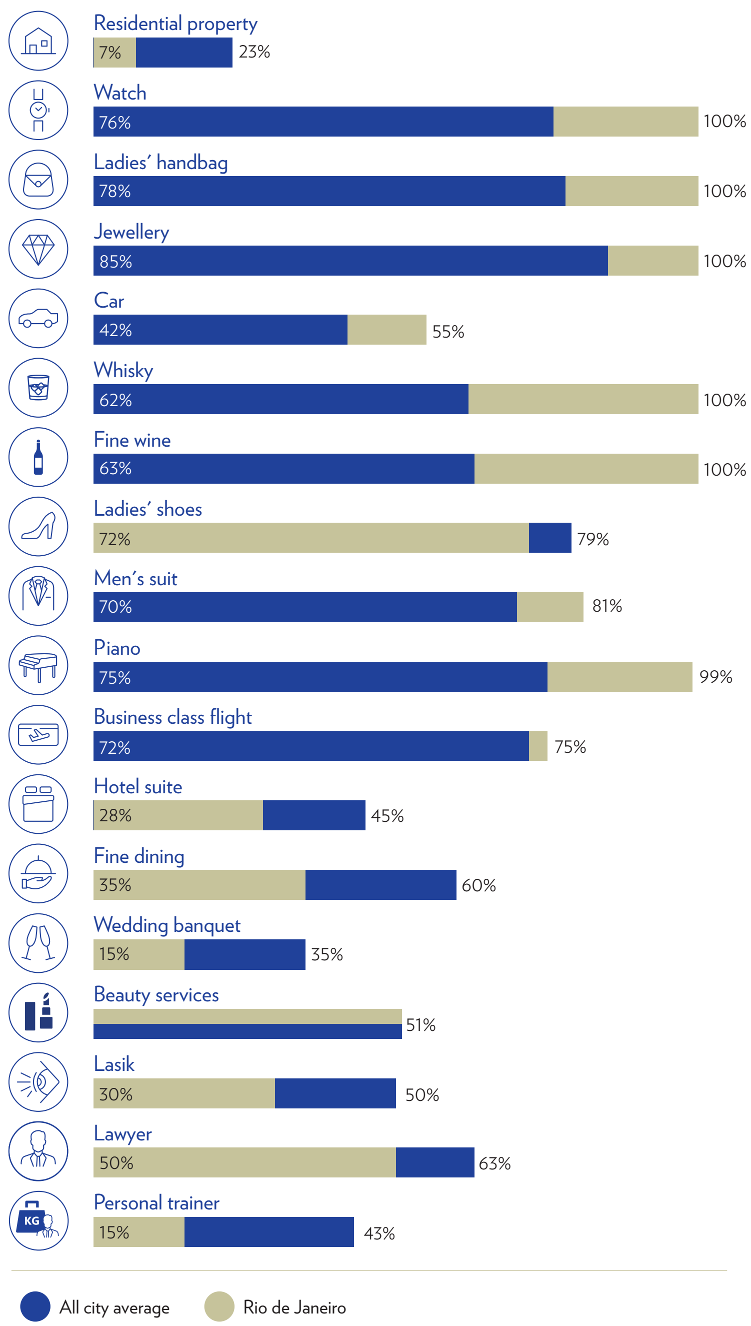
By contrast, money can be saved on luxury hotel suites and wedding banquets, both within the cheapest quartile, as well as relatively affordable wellness services.

The city's prime residential property market is exceptionally affordable, with no sign of becoming more expensive any time soon. The most expensive neighbourhoods in Rio de Janeiro are Leblon, Ipanema and Gavea.

Housing demand and price growth in real terms has been tepid over the past few years, on the back of an anaemic economy, political uncertainty and high interest rates.

Despite a business-friendly pension reform during 2019, markets remain very cautious about growth prospects for Brazil in 2020. A poor fiscal position constrains government action amid a lack of growth, flat wages and low investment. As for the Brazilian real, it remains highly sensitive to changes in US interest rates like other emerging market currencies.

RIO DE JANEIRO VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

VANCOUVER

Great value for international luxury buyers, despite a restrictive property sector.

21 Global Rank

6 Regional Rank

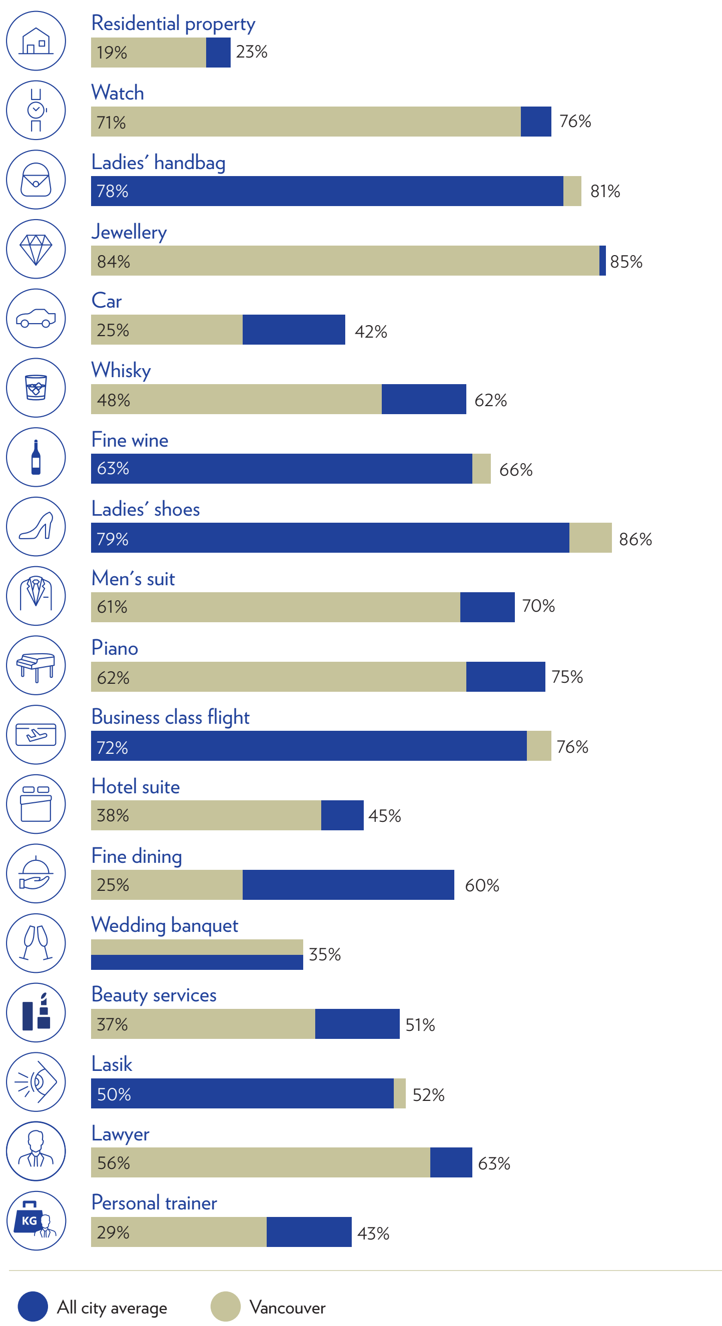
The most affordable North American city, Vancouver offers more than half of the 20 luxury items in our index at below the global average price.

Of all our cities, this is the cheapest place to buy a luxury car at a quarter of the cost of the most expensive city, Singapore.

Meanwhile, prime residential property continues to be good value, as anti-speculation measures by the government have led to a continued decline in luxury housing prices. Yet, the housing market is showing signs of stabilising. A construction boom is expected to fuel a surge in migration both internationally and from other parts of Canada into British Columbia, potentially feeding economic growth in the region's most populous city.

While lower oil prices, slowing growth and modest monetary easing may continue to weigh on the Canadian economy and currency in 2020, Vancouver's friendly image and pro-business attitude make it a popular place to live for internal migrants and foreigners alike.

VANCOUVER VS ALL CITY AVERAGE*



*Figures are percentages of the most expensive city in the category

METHODOLOGY: LIFESTYLE INDEX

The Julius Baer Lifestyle Index is based on a basket of 20 luxury goods and services that represent discretionary purchases of HNWI globally.

Current prices were sourced from local high-end vendors across 28 major cities. Properties were accorded the highest weight of 20% and cars and weddings were given the next highest weights at 10% each.

The list does not purport to represent the comprehensive spending patterns of HNWI in the region, but rather is an indication of how various items are priced around the world. While properties, cars and weddings have a combined weight of 40%, we divided the other 17 items equally to add up to 60%.

Julius Baer Lifestyle Index

Item	**Description**	**Weightage**[76]
Residential property	Average price per square metre of 3 top-end properties per city	20.0%
Watch	Rolex Day-Date II	3.5%
Ladies' handbag	Diorama lambskin bag	3.5%
Jewellery	Cartier Love Bracelet	3.5%
Car	BMW 7 Series hybrid where available	10.0%
Whisky	The Macallan 25 Year Old Sherry Oak	3.5%
Fine Wine	Chateau Lafite Rothschild, 750 ml or wine with Robert Parker score above 95	3.5%
Ladies' shoes	Christian Louboutin New Simple Pumps	3.5%
Men's suit	Ermenegildo Zegna	3.5%
Piano	Steinway & Sons Grand Piano	3.5%

Service	**Description**	
Business class flights	Average return flight to London or New York	3.5%
Hotel suite	Marriott Group 5-Star Hotel	3.5%
Fine dining	Two-Michelin-starred restaurant or Restaurant on San Pellegrino's Top 50	3.5%
University	Average of top European and American EMBA programmes	3.5%
Boarding school	Eton - Sixth Form	3.5%
Wedding banquet	400 people at a top hotel	10.0%
Beauty services	Botox for crow's feet	3.5%
Lasik	Laser eye surgery for both eyes	3.5%
Lawyer	Simple will consultation	3.5%
Personal trainer	Membership fees plus 50 personal training sessions	3.5%

76 Figures may not sum to 100 due to rounding

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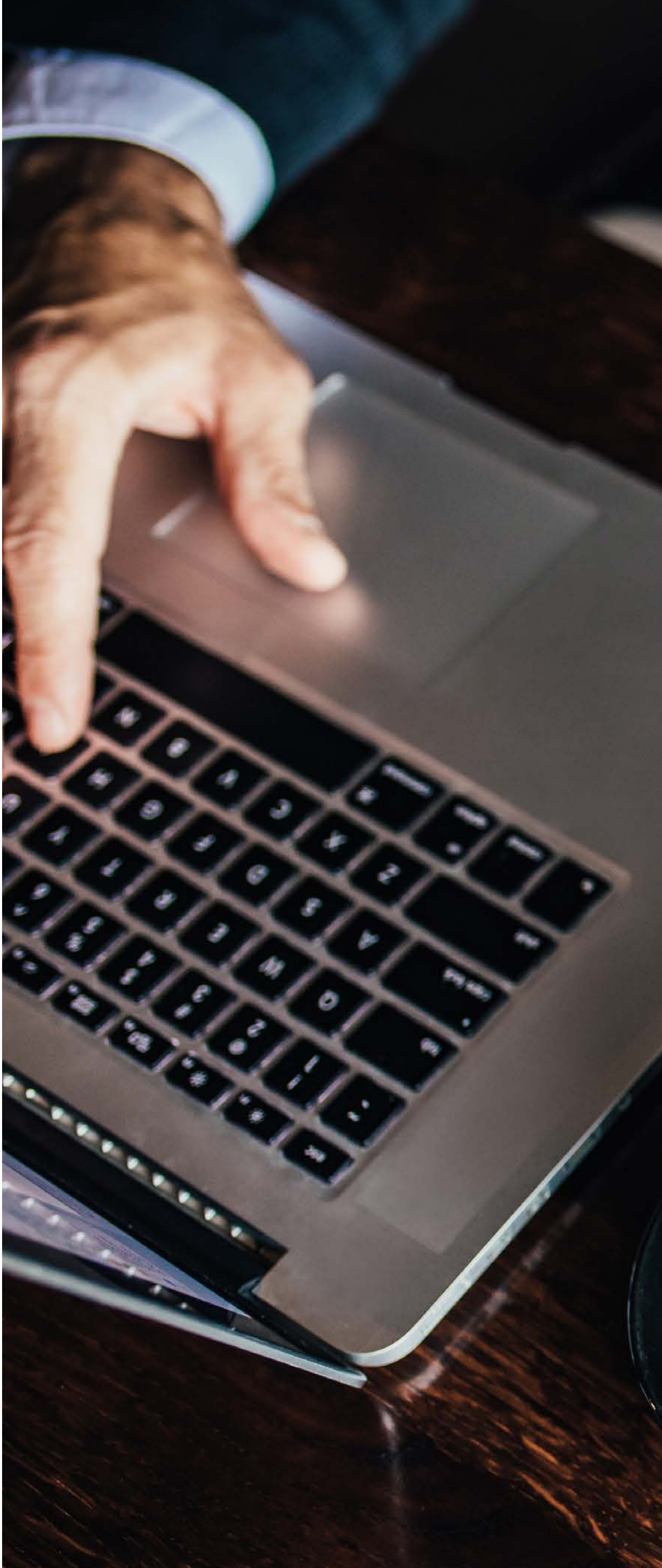

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01.2020 Publ. No. PU01022EN